The Incorporated Accountants' Journal

The Official Organ of
The Society of Incorporated Accountants and Auditors

THE INCORPORATED ACCOUNTANTS' JOURNAL *is published monthly, on the first day of each month, at an Annual Subscription of 12s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. 3d., postage extra.*

Communications respecting the general business of the paper to be addressed to the Secretary of the Society of Incorporated Accountants and Auditors, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2. Cheques and postal orders should be made payable to the Society, and crossed "Bank of England."

Letters for the Editors to be forwarded to them, care of the Secretary, as above. Correspondence, copies of reports and accounts, &c., will be welcomed from the profession.

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Professional Notes.

THIS issue contains a full report of the proceedings at the dinner of the Society of Incorporated Accountants and Auditors, held in the Guildhall, London, by the kind permission of the Lord Mayor and Corporation, on Thursday, April 14th. The President, Mr. Henry Morgan, presided over a large company, which utilised all the available accommodation. Distinguished guests were in every part of the Hall. Prior to the announcement of dinner, a reception was held by the President and Vice-President (Mr. Cassleton Elliott) in the Art Gallery. During dinner the Band of H.M. Scots Guards performed a delightful programme of music. The speeches were not too long or too many, the organisation by the Secretary (Mr. Garrett) and the Society's staff was excellent, and the general verdict was that an outstanding success had been attained.

The fact that the Lord Mayor, Sir Maurice Jenks, F.C.A., is a member of the profession added to the interest of his speech, in the course of which he referred to the presence, as one of the guests, of the Chairman of the London County Council, Mr. Angus Scott, F.C.A., and also to his (the Lord Mayor's) friendship with one of the hosts who had been actively identified with his entry into the municipal life of the City of London. The speeches of Lord Macmillan and Viscount Leverhulme, who dealt with the toast of "Industry and Commerce," while not too serious, were full of interesting and informative material.

Lord Macmillan, in the course of his observations, said that while Parliament and the law could undoubtedly assist in the restoration of confidence, the great problem of statesmanship was to know when to draw the line, and when to allow the initiators of industry and commerce to have their own full swing, uncurbed and untrammelled by unnecessary legal restrictions. Lord Leverhulme, in casting about for a clue as to how to find a way out of our existing difficulties, said that it seemed to him that the Committee over which Lord Macmillan had recently presided had given them a useful clue, because that Committee laid such great emphasis on the problems of currency and monetary affairs.

Sir Thomas Inskip, the Attorney-General, in proposing the toast of "The Society of Incorporated Accountants and Auditors," referred to the Companies Act, and said that whatever shortcomings there might have been in the deliberation of Parliament, a much better remedy for any evils which anybody might have detected in the law was a practical application of the

motto which had been adopted by the Society, *Fides atque integritas*. The President, Mr. Henry Morgan, in replying to the Society's toast, dwelt on the serious effects of the heavy taxation on industry and commerce, and pointed out that proper reserves were vital and necessary to the existence of the great majority of businesses. From this he deduced that profits carried to reserve and not distributed in dividend should, subject to safeguards, receive relief from full taxation. Mr. Justice McCardie, in responding for "The Guests," contributed a charming and witty speech.

At the annual meeting of the Association of British Chambers of Commerce, held in London on April 21st and 22nd, the following resolution, proposed by Mr. H. Lakin-Smith, F.C.A. (Birmingham Chamber) and seconded by Mr. Henry Morgan, F.S.A.A. (London Chamber), was unanimously adopted:—"That the Government should re-examine the report of the Departmental Committee on the Companies Acts and the representations of the Association and other representative bodies thereon, with a view to amendment of the Companies Act, 1929, in conformity with present-day experience and requirements."

In our Professional Notes of April, 1931, we discussed the decision of the Court of Appeal in the case of *Commissioners of Inland Revenue* v. *Sir H. C. Holder and Another*. The question at issue was whether accumulated interest which became payable to a bank under a guarantee should be regarded as part of a general fund, or whether the interest should be treated separately and the guarantors thus enabled to recover Income Tax in respect thereof. The Special Commissioners and Mr. Justice Rowlatt both gave decisions in favour of the guarantors, but the Court of Appeal reversed the judgment of Mr. Justice Rowlatt, and now the House of Lords have expressed their agreement with the Court of Appeal. Lord Dunedin, in delivering judgment, said he thought that interest payable on an advance from a bank meant interest on an advance made by the person paying. The guarantor did not pay on an advance made to him, but paid under his guarantee. While it was true that he paid a sum which included all interest due by the person to whom the advance was made, his debt was nevertheless a debt under the guarantee.

Another case which came before the House of Lords last month (*R. C. Dewhurst* v. *R. A. Hunter, Inspector of Taxes*) had relation to the liability to assessment of an amount paid to a director as compensation for loss of office under somewhat special circumstances. The Articles of the company provided that in the event of any director ceasing to hold office for any cause other than misconduct, &c., the company should pay to him by way of compensation for loss of office a sum equal to the total amount of his remuneration in his last five years of office. In the year 1928 Mr. Dewhurst, owing to a change of residence, wished to retire from the board, but the other directors desired to keep him, although he would only be able to attend meetings occasionally. The board accordingly accepted his resignation as chairman of the company, and resolved that he be paid £10,000 as compensation for loss of office. There was subsequently added to this an amount of £2,900, representing five years' Income Tax on such compensation. An assessment for Income Tax was made upon Mr. Dewhurst in respect of the whole of the £12,900, but the assessment was discharged upon an appeal to the Special Commissioners, and their view of the case was subsequently confirmed by Mr. Justice Rowlatt. The Court of Appeal, however, took a different view of the matter and restored the assessment.

The House of Lords, by a majority of three to two, has now reversed the judgment of the Court of Appeal. Lord Warrington, in delivering the majority judgment, said that in his opinion the sum in question was not a profit from Mr. Dewhurst's employment as a director. It was paid, not by way of remuneration for past services, but in performance of an arrangement under which he was enabled to give only occasional attendance at the board, while at the same time the company did not lose altogether the benefit of his help. No part of the sum so paid represented salary retained either in the past or in the future, and in the special circumstances of the case he considered that the £12,900 could not be held liable to Income Tax as profits arising from the employment. The sum in question was in his opinion purely a capital sum paid under a special agreement, and therefore not liable to be charged as profits.

Lord Dunedin, in delivering the minority judgment, said he considered that Mr. Dewhurst had entered into a new bargain, and in his opinion there was merely a change of calculation, but the quality of the payment remained as before and was deferred payment for past services rendered.

The Budget introduced by the Chancellor of the Exchequer last month is notable mainly for the absence of reliefs to the Income Tax payer which were confidently predicted in the Press. There are practically no alterations in direct taxation so far as it affects trading concerns, with the exception of certain extra wear and tear allowances which had previously been promised, and a concession to the taxpayer respecting the carrying forward of losses. Hitherto, in any carry forward, allowances for wear and tear have taken priority over other losses, and as the latter are restricted to a period of six years, while the former are not, the taxpayer has run the risk of losing the right to set off any losses which have not been extinguished by subsequent profits at the end of the six years. The proposal now is to give the trader the priority which will be most favourable to him.

An amendment of the law is to be introduced whereby voluntary pensions, as distinct from pensions paid under contract and legally exigible by the pensioners, are to be made subject to taxation. This is clearly a result of the decision of the House of Lords in the month of March in the case of *Stedeford (Inspector of Taxes)* v. *Beloe and Others*, where it was held that a voluntary pension granted to the headmaster of a college was not liable to Income Tax. The circumstances of the case referred to were explained in our Professional Notes last month.

The Chancellor's estimate of the trading conditions of the country during the last twelve months, based upon information supplied to him, is reflected in the reduced amount which he expects to derive from Income Tax and Sur-Tax. These taxes in the year which has just ended produced an income of about £364,000,000, whereas his estimate for 1932-33 is only £326,000,000. He is thus left in the position of finding the difference of £38,000,000. A large portion of this he hopes to derive from the new Import Duties from which source only something over £2,000,000 was received last year, whereas the estimate for 1932-33 is £33,000,000. A further £7,000,000 has therefore to be found.

The receipts from death duties last year were no less than £18,000,000 below the estimate of £33,000,000. This heavy drop is regarded as very exceptional, and Mr. Chamberlain is estimating that the receipts this year will show a better result to the extent of £11,000,000. He is also hoping to derive an additional £6,000,000 from Stamp Duties as a result of a revival in trade, and over £10,000,000 extra from Customs and Excise, apart from the new Import Duties. Of these increases, £21,000,000 will be required to make up the estimated shortage of income from Miscellaneous Receipts and Sundry Loans, leaving £6,000,000 towards the extinction of the shortage on Income Tax and Sur-Tax.

The great dead-weight of the Budget is the burden of the National Debt. Out of a total ordinary expenditure of £766,000,000, no less than £319,000,000 is required for the service of the Debt, including the contribution of £32,000,000 to the Sinking Fund. This, it will be observed, absorbs nearly the whole of the £326,000,000 estimated to be derived from Income Tax and Sur-Tax in the year 1932-33.

An important new feature of the Budget is the proposal to establish an Exchange Equalisation Account for the purpose of providing reserves of gold and foreign exchange to meet any sudden withdrawal of short-dated capital, and to prevent violent fluctuations in our currency, especially those which arise from speculative operations. It is accordingly proposed to wind up the old Exchange Account, and to use the assets as a nucleus of the new account, for the purpose of which power is being asked to borrow up to an amount of £150,000,000. This is an entirely novel feature for a Budget, and has met with a good deal of criticism but in the best-informed financial circles it is generally regarded as a wise step, and one which is likely to have a steadying effect on the value of the £, the fluctuations in which are very disconcerting to traders who are unable to buy goods from abroad with any confidence as to the stability of British currency for the purpose of discharging their liabilities.

In many quarters it was hoped that the Chancellor would make some definite proposal with regard to the assessment to Income Tax of Co-operative societies under Schedules C and D, but all he proposes to do is to set up a small Committee to investigate the matter with a view to a settlement of the long drawn out controversy on this subject, and the embodiment, if necessary, of legislation in the next Budget. This delay will be disappointing to many traders, who consider that they are labouring under a great injustice in having to compete on unequal terms with these Co-operative societies.

A curious case (*Ocean, Accident and Guarantee Corporation, Limited*, v. *Cole*) relating to motor car insurance policies, was heard in the King's Bench Division last month by the Lord Chief Justice, Mr. Justice Avory ,and Mr. Justice Hawke, in an appeal from a decision of the Justices for the City of Leicester. The importance of the case lies in the fact that it is a criminal offence to use a motor car on a road without having in force a policy of insurance against third party risks, and such a policy is not effective unless the insurer gives to the insured a certificate of insurance. In this case the term of the policy expired on June 3rd, 1931, and payment for the renewal was not made until June 11th, when the Corporation issued to the policy-holder, Mr. Frank Payne, a receipt for the premium bearing that date with a certificate of insurance containing the statement "Date of commencement of insurance June 4th, 1931." The terms of the policy, on the other hand, provided, *inter alia*, that no liability should arise until the premium due had been paid and accepted.

The Justices convicted the Corporation of unlawfully issuing the certificate of insurance referred to, which they held was, to the knowledge of the Corporation, false in a material particular, but the Divisional Court has now reversed this decision and allowed the appeal, the Lord Chief Justice stating that he did so on the sole ground that the Justices had not given weight to the requirement that the falsity (if any) must be falsity to the knowledge of the insurer.

Mr. Justice Avory agreed that the appeal should be allowed, but he was not satisfied that Mr. Payne was uninsured between June 4th and June 11th because the condition of the policy that no liability should arise until the premium was paid had to be read in conjunction with the words that the insurance was to be "during the period aforesaid and during any period for which the Corporation might accept payment for the renewal of the policy." He was not, however, expressing a concluded view on that point because it was not necessary.

The vital point is the danger that might arise from ante-dating the commencement of the insurance, as it might be that there would be a period when a person would appear to be insured when, in fact, he was not, and the provisions of the Act would be rendered abortive.

COMPANY ACCOUNTS AND AUDIT.

ON November 19th last the Council of the Society of Incorporated Accountants and Auditors appointed a Special Committee, consisting of Mr. Henry Morgan (President), Mr. E. Cassleton Elliott (Vice-President), Mr. T. Keens, Sir James Martin, and Mr. C. Hewetson Nelson, to consider and report to the Council whether in the opinion of the Committee any amendment of Company Law was deemed necessary and whether any, and if so what, alterations of a voluntary character might be considered desirable in the compilation of company accounts or their certification by professional auditors. The Committee have now completed their inquiry and have sent in their report, which has been duly adopted by the Council and forwarded to the Board of Trade.

It will be observed that in their report, which we reproduce in another column, the Committee state that they have reviewed the provisions of the Companies Act, 1929, in the light of happenings in public company practice since the issue of the report of the Company Law Amendment Committee in 1926, and in connection with the proceedings in the *Royal Mail* case in 1931. While the Committee signify their agreement with the Departmental Committee of 1926 that the great majority of limited companies both public and private are honestly and conscientiously managed, they express the opinion that the provisions of the Companies Act, 1929, relating to accounts and audit do not sufficiently protect the investing public in certain particulars. After asking for the appointment of a further Departmental Committee to consider amending legislation, the Committee indicate that in their opinion certain provisions, which they set out in detail in their report, should be included in any amendment of the law. These provisions relate partly to the Profit and Loss Account and partly to the Balance Sheet. As regards the former, the object clearly is to ensure that the actual trading profits of the year shall be disclosed and that any debits or credits of an abnormal character and any reserves brought in from a previous period shall be separately stated; also that there shall be stated on the face of the accounts of a holding company the total amount of the profits or losses of subsidiary and sub-subsidiary companies appertaining to the interest therein of the holding company, in so far as such profits or losses have not already been brought into account in the Profit and Loss Account of that company. As regards the Balance Sheet the recommendation

of the Committee is that free reserves should be disclosed.

In making these recommendations the Committee are conscious of certain difficulties which must arise in giving effect to them in the case of banking and similar institutions, but they take the view that the paramount consideration is the maintenance of public confidence in the administration of industrial, commercial and financial undertakings.

In the concluding paragraph of their report the Committee state that they do not consider it advisable to make any recommendations for alterations of a voluntary character in the compilation or certification of company accounts, since in dealing with such alterations auditors might be placed in a difficult position in regard to the law as it now stands—in other words, they take the view that any such recommendations might be embarrassing without being helpful. They consider that the only effective action must be by amending legislation.

In reviewing the report of the Committee, which, as already stated, has been adopted by the Council of the Society of Incorporated Accountants and Auditors, we think it will be agreed that they have approached the matter and carried out their duties with every regard to the great interests involved. In dealing with such a matter as Company Law which affects so closely the whole business life of the nation, the Society's Committee have had to keep in view certain evidence which has disturbed public confidence since the passing into law of the Companies Act, 1929.

The Society's Committee did not find it possible to ignore certain aspects of the *Royal Mail* case in relation to the annual accounts of that company as disclosed in the evidence at the trial, which was fully reported in the issues of the *Incorporated Accountants' Journal* of August and September, 1931. While it is true that this was a criminal trial, and that the charges against the chairman of the Royal Mail Steam Packet Company, upon which he was convicted, were not within the purview of the Companies Act of 1929, it is impossible to disregard the observations of the learned Judge when he pointed out that the directors of a company, as the agents of the shareholders, owed them full information subject to proper, commercial and reasonable necessities. In this connection it will be noted that in referring to the disclosure of free reserves the Society's Committee make it quite clear that the term "free reserve" is not to extend to provisions made for estimated losses or expenses not definitely ascertainable at the date of making up the company's accounts.

The main object of the report appears to be to prevent reserves which are absolutely free reserves being withheld from the knowledge of the shareholders, whether created in the accounts of the holding company or in those of a subsidiary or sub-subsidiary company, and also to ensure that the whole of the profits and losses as the case may be of the holding company as well as its subsidiaries and sub-subsidiaries (to the extent to which the parent company is interested in them) for the year under review shall be brought to the knowledge of the shareholders. This, in short, would have the effect of preventing either profits or losses being held up in the accounts of subsidiary companies or in the accounts of the holding company without the shareholders of the latter being notified of what was taking place. Whether in certain circumstances this would or would not be in the interests of the shareholders is a point upon which there will probably be differences of opinion.

We understand that, in addition to the Report of the Committee of the Society, the Board of Trade will have before them certain recommendations emanating from associations and individuals, and the President of the Board will have to consider whether the appointment of a Departmental Committee to consider amending legislation shall be made. The Committee of the Council of the Society have endeavoured to make a definite contribution for the consideration of any Committee that may be appointed, and in that respect they have fulfilled their duty both to the members of the Society and to the public.

FRAUD AND EVASION OF INCOME TAX.

THE paper on "Fraud and Evasion in Relation to Taxation," by Mr. C. Hewetson Nelson, which appeared in our last issue, provides some interesting reading. In the first place the meaning of the word evasion has to be carefully borne in mind, as there is a distinction between legal and fraudulent evasion. On this point pronouncements have been made in judgments of the Courts on three different occasions, which, as Mr. Nelson remarks, may help to clarify the position. The expressions used were as follows:—

"It is open to persons to evade Income Tax if they can do so legally."

"Nobody is under any obligation so to lay out his estate or the estate of his family as to make it subject to avoidable taxation."

> "It is trite law that His Majesty's subjects are free, if they can, to make their own arrangements so that their cases will fall outside the scope of the taxing Acts."

Needless to say, opportunity has been taken in many instances to take full advantage of this right of legal evasion, and one of the problems which Parliament has to solve is to close up the loopholes. A suggestion which comes from the New Zealand Treasury, that, judging by the experience in that country, traders welcome the inspection of their books by Income Tax officials, will hardly carry conviction. We are quite sure that any such proposal would be strongly resented here.

The penalties which follow fraudulent evasion under various heads are set out in detail by Mr. Nelson, and also the official statement of the Board of Inland Revenue explaining the circumstances and conditions under which legal proceedings may be avoided by a voluntary disclosure of past frauds. In this statement it is laid down that the pecuniary settlement which the Board of Inland Revenue will be prepared to accept will in no case exceed the full amount of the unassessed duties, plus the pecuniary penalties for which proceedings might be taken, and that due regard will be had to the taxpayer's means both in determining the amount to be accepted and in fixing the date or dates for payment.

In this country a taxpayer's obligation in regard to Income Tax returns relates exclusively to his own income (apart from a declaration as to the remuneration of his employees), and it is pointed out by Mr. Nelson that a comparison with other countries shows that the British taxpayer could go further and fare worse, as both in Germany and in the United States of America heavy penalties prevail. For instance, a writer on the subject has pointed out that in Italy non-declaration of loan interest results in the creditor losing his rights against his debtor, while in Rhode Island you must not only make a return of your own income, but also supply an estimate of the figure at which ten of your neighbours should, in your opinion, be assessed!

In some countries publicity is given to Income Tax assessments so that anyone can ascertain the amount on which his neighbour is being assessed, and the Income Tax Commissioners have expressed the view that publicity of this character would go far towards enforcing honesty amongst taxpayers. We think, however, that any such procedure would be strongly resented by taxpayers in this country. The concluding part of Mr. Nelson's paper gives some interesting examples of the methods by which some taxpayers have manipulated their books and accounts in trying to conceal the correct amount of their taxable liability. It is really surprising that persons enjoying very large incomes should incur the risk of criminal proceedings in order to avoid their just liabilities. They must live in a state of constant suspense or be possessed of a strange mentality.

CUSTOMS PROCEDURE UNDER THE IMPORT DUTIES ACT.

[CONTRIBUTED.]

THE Import Duties Act, 1932, is one of the most important measures placed on the Statute Book in recent years, seeing that it ushers in a new fiscal system. By this Act, with only a few exceptions, all foreign goods imported into this country are chargeable with a Customs Duty of 10 per cent. of the value, styled "the general *ad valorem* duty." Moreover, a duty in addition to this general tariff, on any class or description of goods, may, after a considered review, be recommended by the Import Duties Advisory Committee (an independent tribunal constituted under the Act) called "an additional duty." In reviewing any case the Committee must take into consideration whether the goods can be made here equally well and in substantial quantities, the interests of trade and industry generally must be studied, and attention must be paid to the viewpoints of the consuming as well as the producing trades. The Committee may ask for any returns, documents, or other information, and may call witnesses likely to give useful information. The Board of Trade are also empowered to collect information on the condition of any trade, and in this connection an occupier or manager of a factory can be called upon to furnish returns showing quantity and value of output, quantity and cost of materials used and of electricity and fuel consumed, and the number of persons employed. This information will also be available to the Committee.

Any recommendation is to be made to the Treasury. If accepted it will be brought into force by Treasury Order, but rates cannot be in excess of rates specified in the recommendation, and any Order ceases to have effect after 28 days if not approved by the House of Commons. An additional duty may be either *ad valorem* or specific, permanent or temporary, or imposed by seasons. The Treasury retain power to vary or revoke any Order made as regards an additional duty, this discretion being retained as a safeguard against any possible inefficiency of any industry, or of profiteering; but recommended rates cannot be increased under this rule, and any Order made is subject to House of Commons approval as in other cases. The method of imposing duties may be altered by Treasury Regulation from *ad valorem* to specific or *vice versa*, if considered

easier of collection, so long as the amount of the duty remains equivalent. As regards the goods allowed free entry, the Free List includes only 33 descriptions of goods, which may be classified under the following heads: 24 raw materials, 6 foodstuffs, and 3 miscellaneous. The Advisory Committee has power, after review, to add to this Free List, and power is given to make deductions as well, but no alteration either way can take place until the end of August.

All existing duties remain, and are outside the general 10 per cent. tariff. As a fact, all these are higher than the general duty. Some of them are by former enactments limited by time, and where this occurs the Advisory Committee will, before the determining date, take the matter into consideration, and if no recommendation is made the goods will become chargeable with the general *ad valorem* duty of 10 per cent. These existing duties include those known as the McKenna Duties (mostly 33⅓ with no time limit), Key Industries Duties (mostly 33⅓ per cent. time limited to August, 1936), Safeguarding Duties (various and with different determining dates), and duties under the Abnormal Importations Act, 1931 (50 per cent., expiring May 19th next), and the Horticultural Products Act, 1931 (various rates and determining dates according to products concerned).

Colonial and Dominions goods are admitted free of duty until November 15th, pending any tariff agreements that may be made at the forthcoming Ottawa Conference. The term "Dominions" includes India, Southern Rhodesia and mandated territories.

Goods imported with a view to re-exportation, or for transhipment after transit through the United Kingdom, are admitted free of duty. This also applies where importation has taken place for repairs or process before re-exportation. In such cases the nature of the process and the period for which goods are imported must be stated to the Customs Authorities.

Goods, whether British or foreign, exported for process abroad and subsequent re-importation, are admitted into this country with a modified duty, always provided that the form and character of the goods have not been changed. The duty payable is charged on the increased value of the goods due to the process. Usually the duty is charged on the sum paid for the execution of the process.

Where duty has been paid on imported goods a return of duty may be allowed on certain conditions when the goods are re-exported, subject to a recommendation by the Advisory Committee in relation to classes and descriptions. Directions for this will be issued by a Treasury Order. In deciding these drawback questions the Committee must take into consideration the general interests of the industries concerned, including the export trade, and the facilities given and available for enabling goods intended for re-exportation to be dealt with without payment of duty, by warehousing in bond, repacking, &c., but where goods have been sent back abroad in the same state as received, and have not been used by either the importer or his immediate customer, then the Act specifically states that the duty paid shall be returned.

The valuation of articles for *ad valorem* procedure is the price an importer would give for the goods delivered to him at the port of importation, freight insurance and commission, and possibly other expenses, included. Broadly, this means c.i.f. purchases, that is price "here" and not "there," but expenses such as dock dues may be added at some ports according to the particular Customs procedure. The importer must in all cases produce to the Customs Authorities the foreign exporter's invoice and other documents showing the charges for freight and insurance. Where the price cannot be determined to the satisfaction of the Customs Commissioners (*e.g.*, where the importer is the exporter or exporter's agent) the price for similar articles, or articles of British manufacture, freely offered for sale in the United Kingdom, less an allowance for duties and reasonable merchanting expenses and profits, will be the value for duty. A declaration and form of entry are required by the Customs, and there are different forms according to whether duty is *ad valorem* or specific. Different forms are also required where clearance is made immediately, where goods are deposited in a bonded warehouse at the port of importation, or where goods are deposited in a bonded warehouse elsewhere than at the port of importation. Ordinarily payment of duty is made when clearance is effected, and duty is calculated on the value when first warehoused.

Where a composite article is already subject to duty by one or more of its constituents being dutiable, that duty will be charged, and the general *ad valorem* duty will operate only to the extent by which it exceeds the constituent duty. An additional duty may be charged on these articles, but the Committee has power to alter the method by suspending the constituent duty if desired, and so obviating one article carrying several different duties.

The report and first list of recommendations of the Advisory Committee for additional duties has recently been issued, and these have been accepted by the Government and a Treasury Order issued accordingly. Most of the descriptions dutiable by Orders of the Abnormal Importations Act, 1931, have been reproduced in this new Order, but at lower rates than the 50 per cent. hitherto imposed; but some goods have been omitted, which means that these automatically become subject only to the general tariff of 10 per cent. There are also other descriptions of goods in the Order which generally applies as from April 26th, the Board of Trade repealing the three Orders of the Emergency Act, which were down to run until May 19th, so that all additional duties are applied simultaneously, that is from April 26th.

Separate copies of Fred May's Cartoon, printed as a Supplement to this issue, can be obtained from Incorporated Accountants' Hall, Victoria Embankment, W.C.2, price 6d. per copy.

COMPANY ACCOUNTS AND AUDIT.

The following is the Report of a Special Committee of the Society of Incorporated Accountants and Auditors appointed to consider the question of the amendment of the Companies Act. The Report has been adopted by the Council.

1. On November 19th, 1931, you appointed us to be a Committee to consider and to report whether, in our opinion, any amendment of the law is deemed necessary and/or what, if any, alterations of a voluntary character may be considered desirable in the compilation of Company Accounts or their certification by professional auditors.

2. We have met on eight occasions and have completed our enquiry. We now submit our report.

3. We have reviewed the provisions of the Companies Act, 1929, in the light of happenings in Public Company Practice since the Report of the Company Law Amendment Committee in 1926, particularly in the years 1928 and 1929, and in connection with the proceedings in the *Royal Mail* case in 1931.

4. In the Report referred to it was stated that the evidence satisfied the Committee that the great majority of limited companies, both public and private, were honestly and conscientiously managed. While we concur in this view, we are of opinion that the provisions of the Companies Act, 1929, relating to Accounts and Audit, do not sufficiently protect the investing public in certain particulars.

5. We recommend, therefore, that the Government should be asked to appoint a Departmental Committee to consider amending legislation. We have not attempted to set out all the amendments which we deem necessary, but we are of opinion that provisions to the following effect should be included in any amending legislation :—

(*a*) That the Profit and Loss Account should show the true balance of profit or loss for the period covered by such account.

(*b*) That in the Profit and Loss Account any debits or credits which are abnormal in character or extraneous in their nature to the ordinary transactions of the Company, together with any reserves from a previous period no longer required, should be stated separately.

(*c*) That Free Reserves should be disclosed on the face of the Balance Sheet. The need for such disclosure should not extend to provisions made for estimated losses or expenses not definitely ascertainable at the date of making up the Company's accounts, but to which losses or expenses it is sound and proper to have regard in arriving at the profit or loss for the year or other period.

(*d*) That where a Holding Company has investments in one or more Subsidiary and/or sub-Subsidiary Companies, there should be stated on the face of the accounts of the Holding Company, the total amount of the ascertained profits or losses of such Subsidiary and/or sub-Subsidiary Companies appertaining to the interest of the Holding Company in such Subsidiary and/or sub-Subsidiary Companies, in so far as such profits or losses have not been brought into account in the Profit and Loss Account of the Holding Company.

6. In making the foregoing recommendations, we are conscious of certain difficulties which must arise in endeavouring to give effect to them in the case of Banking and similar Institutions, but we feel that the paramount consideration is the maintenance of public confidence in the administration of Industrial, Commercial and Financial Undertakings.

7. We do not consider it desirable to make any recommendations for alterations of a voluntary character in the compilation and/or certification of Company Accounts, since in dealing with such alterations Auditors might be placed in a difficult position in regard to the law as it now stands. The only effective action must be by amending legislation.

HENRY MORGAN, President
(Chairman).

E. CASSLETON ELLIOTT,
Vice-President.

THOMAS KEENS.

JAMES MARTIN.

C. HEWETSON NELSON.

ERNEST E. EDWARDS
(Secretary to the Committee).

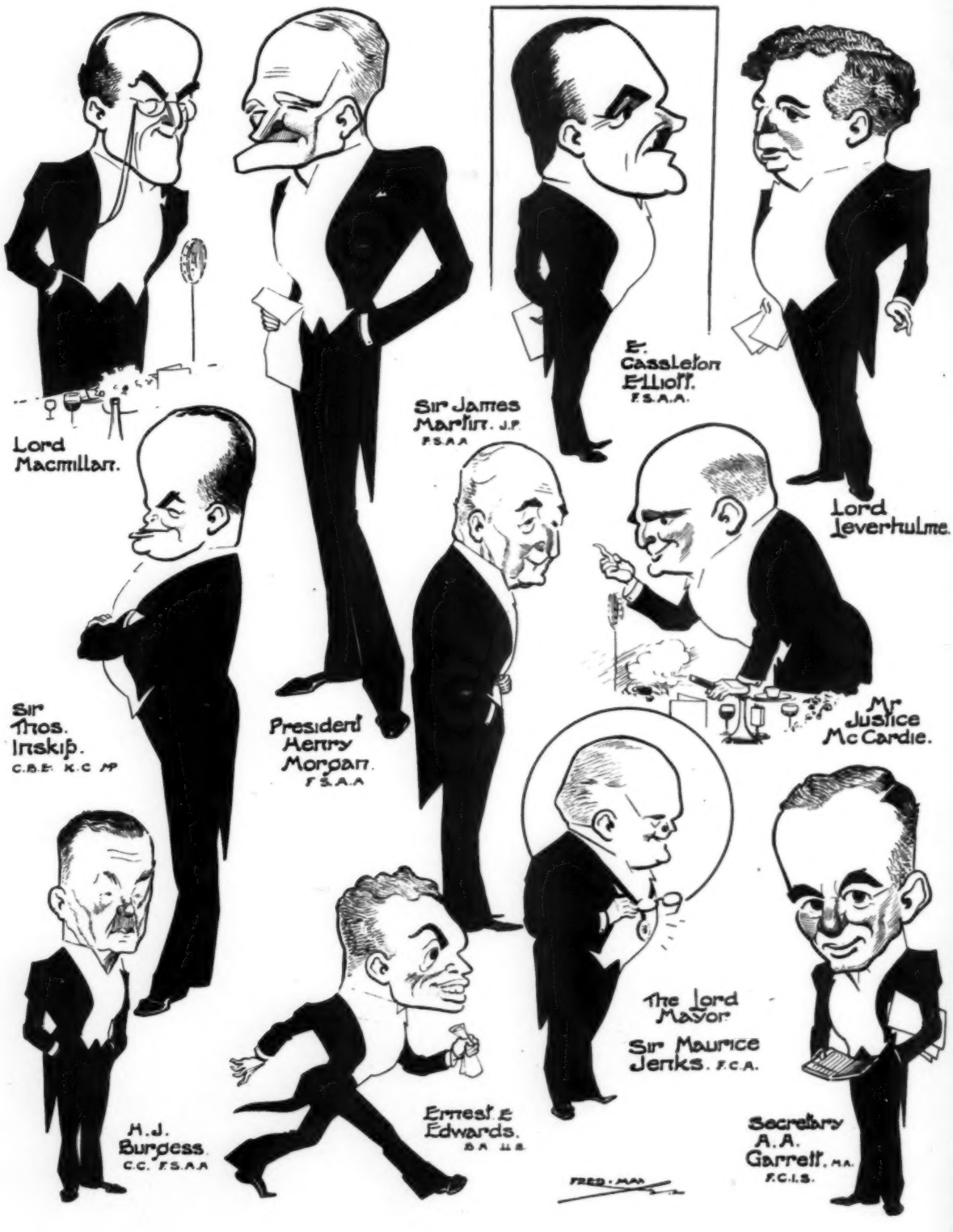
April 7th, 1932.

Adopted by the Council of the Society of Incorporated Accountants and Auditors.

A. A. GARRETT,
Secretary.

Incorporated Accountants' Hall,
Victoria Embankment,
London, W.C.2.

April 15th, 1932.



Among the Speakers and others at the Guildhall on April 14th, 1932, as seen by Fred May.

THE BUDGET.

CHANCELLOR'S SPEECH.

The following is the text of Mr. Chamberlain's speech in introducing the Budget in so far as it relates to Income Tax matters (including an inquiry into the position regarding the special treatment of Co-operative Societies) and to the proposal to establish an Exchange Equalisation Account.

Income Tax.

After dealing with the estimated Revenue and Expenditure for the year 1932-33, Mr. Chamberlain said: I now come to one or two minor matters which will be contained in the Finance Bill. First, it will provide for those extra allowances for wear and tear to which I have already made allusion, and which seem to have passed out of public memory in recent weeks. I am quite certain that when they come into operation they will be of considerable benefit to industry. The next item is also one of interest to industry. It has been pointed out by their organised representatives that in a time of prolonged depression such as that through which we have been passing and from which I hope we are now going to emerge, traders are liable to be penalised because the allowances for wear and tear take priority over the carrying forward of losses. That priority is not always unfavourable to the trader, but there are many cases in which it may deprive him of deductions for income tax purposes which otherwise he would be allowed. Accordingly, I am putting in the Finance Bill a provision to ensure that every trader is given priority in the order which is most favourable to him.

The next point concerns a change that was made in last year's Finance Act, transferring to the Board of Inland Revenue the power of appointing collectors of taxes. That step was an essential preliminary to the work of reorganisation of the tax collection system on modern lines. The work is in process now and I think it has gone far enough to enable me to say that it is not only showing itself to be more economic and more efficient, but also more convenient to traders than the old system, but in order that it may be completed, and completed as rapidly as possible, it is now necessary to provide reasonable terms of compensation to those members of the existing staff for whom no place can be found under the new system or whose interests will be detrimentally affected. Accordingly, I am putting a clause in the Bill which will deal with that point.

My last point is one which arises out of the inequitable position springing from a recent decision in the Courts of Law, a decision that the pensions of certain retired employees are not chargeable to income tax unless they are paid under contract and are legally exigible by the pensioners. I am sure that every one will agree that all pensioners should be treated alike in this respect, whether their pensions are voluntary or contractual, and I am proposing to put that on a proper footing in the Finance Bill.

I now come back to revenue. The Committee will realise, I am sure, from the position I have disclosed that I have no opportunity of giving relief this year to the income tax payer. I am afraid that he will find little consolation in the reflection that the hard necessity which has enforced this decision must have afforded much mental relief to honourable members who were so much disturbed a little while ago as to the distribution of an imaginary surplus. The fact is that the path of financial stability is not only hard and stony, but long and weary, and although we may now begin to see the light between the trees we have far to go before we can emerge into easier ways. At least, the path may be made less arduous by mutual aid.

MONTHLY DEDUCTIONS FROM SALARIES.

I have already spoken of the wonderful response made by the taxpayer last January, but there is one feature of the national effort on that occasion which I want to mention now with particular appreciation. A number of local authorities and certain industrial concerns were public spirited enough to undertake themselves to pay income tax for their employees and allow their employees to pay them back by instalments. Altogether, there were about 100 arrangements of that kind. They generally took the form that the employer found the whole or part of the money and then recovered from the employee by deductions from the monthly payments of his remuneration. In that way not only was the tax secured to the Exchequer, but the burden of the incidence on the employee was materially eased. There is no question that the demand for the major part of the income tax in one lump sum does weigh very heavily upon small households where there are no considerable reserves of cash, and a system which enables payment to be spread over a few months is bound to afford relief to the taxpayer.

Unfortunately it is impossible for administrative reasons to collect income tax by instalments, and therefore, the only way to secure this spread-over is through the medium of the employers to arrange for deductions from the monthly payments. I think it would be in the public interest if a scheme of this kind could form a definite and permanent feature of our tax system. I want to make an appeal to local authorities and to large industrial concerns to come into an arrangement of this sort. Of course, it would be purely voluntary. It would only be made with the assent of the employer, and would only extend to such of the employees as desired to take advantage of it. There is one important difference which I would propose to make from the special and temporary arrangements that were made last year. I do not propose to ask the employer to find the money in advance. I only propose to ask him to pay over to the Revenue what he has already actually deducted from the employee. The sort of idea is that if you take the instalment payable in January, the spread-over should be extended over all the six months,

from October to March. Then the employer would hand to the Revenue the amount of the tax which he had collected from the employee at dates to be arranged between January 1st and the end of March, and a similar arrangement would apply for the July half-year.

CO-OPERATIVE SOCIETIES.

There is another subject to which I have given a good deal of consideration in the last few weeks, and that is the position of the co-operative societies. Under the existing law co-operative societies enjoy a privileged position, in that they pay income tax only under Schedules A and B, and not under Schedules C and D, and it has been calculated that under A and B they pay about £500,000 a year less than if there were no exemption and their profits were charged to income tax as in the case of an ordinary trading business. The ordinary trading company pays income tax at the full standard rate upon its undistributed income. The co-operative societies in their privileged position pay much less, and that has given rise to vigorous and growing protests on the part of the general trading community, who say that a gross injustice is being done to them in thus favouring their trade rivals.

The grievance, I think, is accentuated by the fact that the principle of mutuality upon which the privilege is based is not being strictly observed. I am informed that some societies grant the whole, and others a part, of the privileges of members to non-members also and no doubt that is done for the purpose of inducing the non-members to come into the fold. A part, though not the greater part, of those who came to me and made representations for the taxing of co-operative societies went a good deal farther. They contended that the so-called "divvy," or discount on purchases, was really in the nature of a profit, and that it ought to be taxed in the case of co-operative societies, just as ordinary profits are chargeable to income tax in the case of trading companies. On the other hand, I need perhaps hardly say that all these contentions are disputed, and disputed with some heat, by the co-operative societies.

The Government approached this subject without prejudice either for or against the co-operators, but they do think it is highly undesirable that our system of taxation should give rise to a burning sense of injustice, whether ill or well founded, on the part of any section of the community, and therefore they would very much like to see this dispute cleared up once and for all. In 1919 the Royal Commission on Income Tax considered this matter, but, as perhaps you would have expected from the composition of that body, they found themselves unable to reach unanimous conclusions, and there was a majority report in favour of the taxation of the reserves of the co-operative societies, and a minority report against it. Since then conditions have changed in many respects. The Government think that there ought to be a new review of the circumstances by a differently constituted body. They have therefore decided to set up a small impartial Committee to investigate the matter, and they hope that the result will be a settlement of this long-drawn-out controversy, which can be embodied if necessary in legislation in the next Budget.

Exchange Equalisation Account.

With reference to this matter, the Chancellor said: I want to describe to the Committee certain proposals which will appear in the Finance Bill. During recent weeks the exchange position of this country has been one of considerable difficulty. There has been a great loss of confidence abroad, and that loss of confidence has led to large accumulations of liquid capital which can very easily be moved from one financial centre to another and can, therefore, materially assist the operations of speculators. The effect of the transfer of this liquid capital is to exercise a very disturbing influence upon the exchanges—particularly upon sterling exchange, which is no longer linked to gold. Since we were so successful in repaying the credits which were raised abroad last year, and in balancing the national accounts, the tide of liquid capital has been setting very strongly in towards these shores. That is flattering to our vanity, but at the same time it is sometimes a serious embarrassment to our trade, and, moreover, in so far as it does not represent a genuine and permanent improvement in the balance of trade it is apt to give rise to dangerous development. In such circumstances nobody can say with certainty that the ebb may not set in presently.

I have been driven by the force of events to the conclusion that if we are to avoid violent and perilous fluctuations in our currency, especially those which are due to these speculative operations; if we are to enable this country to function effectively as the main international centre of the world, then it is essential for us to hold adequate reserves of gold and foreign exchange, in order that we may meet a sudden withdrawal of short-dated capital and that we may check and repel these speculative movements.

I will try to describe to the Committee the proposals which I have in mind, and I must ask for their indulgence if part of this matter appears to be somewhat technical in character. I propose to wind up the old Exchange Account and to use the assets as the nucleus of a new account to be called the Exchange Equalisation Account. I propose to ask the Committee to give me powers to borrow up to £150,000,000 for this account. The details of assets in the account may take various forms, either gold or sterling securities or foreign exchange. That will give us a very large, extended power of purchasing exchange. The new powers, combined with the powers already possessed by the Bank—on which, of course, the main responsibility for the management must continue to rest—will enable us to deal far more effectively than we could otherwise have done with an unwanted inflow of capital or, if the alternative should again arise, with an outflow of capital from this country. There are certain other purposes for which this Exchange Equalisation Account can be used conveniently. First of all, there is an accounting

question connected with the weekly returns of the Bank. Hon. Members know that there are two departments in the Bank—the issue department and the banking department. The issue department is liable for the note issue, amounting to some £400,000,000, against which it has assets in gold and securities. The banking department, on the other side, is the one in which the purely banking business is carried on. The management of the issue department is by law entrusted to the Bank, but its profits concern only the Exchequer, because the Exchequer is entitled to any interest earned or any profits made in the issue department.

On the other hand, the profits of the banking department are for the account of the Bank. My proposals only affect the issue department, and I give that preliminary description in order to show that they do not confer upon the Bank any new privilege or any new profit. The Bank will continue to bear, itself, any risks which may be involved in exchange operations carried on in the banking department. That arrangement is made at the Bank's own desire, and I am sure it is one which will be approved by the Committee.

With the £ divorced from gold the accounting arrangements of the issue department present some difficulty. Its liabilities for the note issue are in sterling. Those of its assets which may consist of foreign currencies fluctuate in terms of sterling, but so far as its assets consist of gold—including any gold that may hereafter be acquired—the law requires the gold to be valued at the old par. Thus the issue department cannot, with the exchange at, say, 3.80, add £100 to its gold holding without showing an apparent loss of £28, and, in the same way, it cannot sell £100 of its gold without showing an apparent profit of £28, while its holdings of foreign exchanges fluctuate in value every week. Our currency authorities ought to be free to hold such amount of gold and foreign exchange in the issue department as may be required without being hampered by technicalities of this kind.

On the other hand, we must be very careful to keep our full cover against the note issue. In order that at all times and in all conditions the assets of the issue department, that is to say, the backing of the currency, should be consistently and conservatively valued, gold should continue in each return to be valued at the old par, and the foreign exchange assets ought to be valued at the current rate of exchange irrespective of their purchase price. In order that the account may at all times precisely balance on this basis, my proposals provide that, at any time when a valuation on this basis shows a deficiency, resources to the corresponding amount shall be passed from the Exchange Equalisation Account to the issue department of the Bank, and when a surplus is shown the converse operation shall take place. I ask the Committee to observe that both of these accounts are worked for the credit of the Exchequer, for the use of the Exchequer, and for the account of the Exchequer. Therefore, it does not very much matter whether any particular assets are for the moment in one account or the other; both are for the account of the Exchequer.

There is another point. In connection with the credits which were raised by the Bank of England last year from the Banque de France and the Federal Reserve Bank, the undertaking was given at the time, and Parliament was so informed, that any loss arising from the transaction should be made good to the Bank. The Finance Bill, accordingly, will contain a provision charging £8,000,000, which is the outstanding loss on that transaction, to the Exchange Equalisation Account. I may be asked, "Supposing that these powers are given to the Government, will that be the final end to the fluctuations in the exchange? Will that mean that the exchange will be kept at a fixed point, or, at any rate, that it will be maintained within a fixed range of values?" I am not going to give any such assurance. When you consider the economic disturbances which are still occurring in the world, and of which we probably have not even now felt the worst, it is perfectly useless to pretend that we can hold our position where we like, independent of anything which is going on around us. On the other hand, we can say this, that those who are charged with the conduct of our currency will be much better equipped in the future, with these powers, to maintain that currency steady than they have been in the past, and that to that extent we shall see a great advance.

There is another question, "Will these transactions involve the Exchequer in any loss, or in any considerable loss?" I think the answer to that must be that that is a very conceivable possibility. We do not know what is going to be the future of gold prices. We do not know what settlement will be reached as regards reparations and War debts and other matters which are now disturbing the world. These uncertainties rule out any possibility of our being able to return to gold immediately. We do not know when or in what circumstances we may return to gold or at what level. If, in the long run, we were to return to gold in such a way that the £ stood at a higher gold value than the average level at which purchases of exchange had been made the transaction would inevitably show a loss. This is a possibility, but it is not one that should deter us. If we are merely seeking safety, from an accounting point of view, then, of course, we can proceed exactly as we did during the earlier period of suspension of the gold standard between the years 1919 and 1925. The £ would be allowed substantially to take its own course, liable to fluctuations with every seasonal movement of trade, every outburst of speculation, or change of sentiment caused by developments abroad. The problems of the present time are altogether different from those which faced us immediately after the War. In my judgment the risks entailed by uncontrolled fluctuations of currency to-day outweigh those of possible losses on the transactions I have mentioned.

Ordinary Revenue and Expenditure, 1932-33.

ESTIMATED REVENUE.	£	£
Inland Revenue—		
Income Tax	260,000,000	
Sur Tax	66,000,000	
Estate Duties	76,000,000	
Stamps	23,000,000	
Excess Profits Duty / Corporation Profits Tax	1,200,000	
Land Tax, &c.	800,000	
Total Inland Revenue		427,000,000
Customs and Excise—		
Customs	174,570,000	
Excise	125,430,000	
Total Customs and Excise		300,000,000
Motor Vehicle Duties—		
Exchequer Share		5,000,000
TOTAL RECEIPTS FROM TAXES		732,000,000
Post Office net receipt		11,700,000
Crown Lands		1,250,000
Receipts from Sundry Loans due to British Government		4,350,000
Miscellaneous		17,500,000
TOTAL 1932 REVENUE		766,800,000
		766,800,000

ESTIMATED EXPENDITURE.	£	£	£
Interest and Management of National Debt			276,000,000
Payments to Northern Ireland Exchequer (including net share of reserved taxes)			6,800,000
Miscellaneous Consolidated Fund Services			3,500,000
Total			286,300,000
Supply Services—			
Defence—Excluding Pensions			
Army	28,182,000		
Navy	41,611,000		
Air Force	17,114,000		
		86,907,000	
Pensions			
Army	8,306,000		
Navy	8,865,000		
Air Force	286,000		
		17,457,000	
Civil—			
I Central Government and Finance	1,958,000		
II Foreign and Imperial	4,836,000		
III Home Department, Law and Justice	15,495,000		
IV Education	52,006,000		
V Health, Labour, Insurance (including Old Age and Widows Pensions)	141,294,000		
VI Trade and Industry	11,082,000		
VII Works, Stationery, &c.	8,637,000		
VIII War Pensions and Civil Pensions	49,856,000		
IX Exchequer Contributions to Local Revenues	45,046,000		
		330,210,000	
Tax Collection—			
Customs and Excise and Inland Revenue Votes (including Pensions, £944,000)		12,630,000	
			447,204,000
TOTAL 1932 EXPENDITURE			733,504,000
National Debt—Sinking Fund			32,500,000
Surplus			796,000
			766,800,000

Self-Balancing Revenue and Expenditure.

	£
Post Office.—Revenue required to meet Post Office expenditure (including £3,940,000 Pensions)	59,188,000
Road Fund.—Motor Vehicle Duties apportioned to Road Fund	22,910,000
Total	£82,098,000

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council of the Society was held at Incorporated Accountants' Hall on April 15th, when there were present: Mr. Henry Morgan (President) in the chair, Mr. E. Cassleton Elliott (Vice-President), Mr. R. Wilson Bartlett, J.P. (Newport, Mon.), Mr. R. M. Branson (Leicester), Mr. H. J. Burgess (London), Mr. D. E. Campbell (Wolverhampton), Mr. Arthur Collins (London), Mr. W. Allison Davies, O.B.E. (Preston), Mr. F. Holliday (Leeds), Mr. Walter Holman (London), Mr. Thomas Keens, D.L. (Luton), Mr. Edmund Lund, M.B.E. (Carlisle), Sir James Martin, J.P. (London), Mr. James Paterson (Greenock), Mr. W. H. Payne (London), Mr. A. E. Piggott (Manchester), Mr. G. S. Pitt (London), Mr. J. Stewart Seggie (Edinburgh), Mr. Percy Toothill (Sheffield), Mr. A. H. Walkey (Dublin), Mr. Frederic Walmsley, J.P. (Manchester), Mr. R. T. Warwick (London), Mr. E. W. C. Whittaker, J.P. (Southampton), Mr. Richard A. Witty (London), Mr. A. E. Woodington (London), Mr. E. E. Edwards, B.A., LL.B (Parliamentary Secretary), Mr. J. R. W. Alexander, M.A., LL.B. (Standing Counsel), and Mr. A. A. Garrett, M.A., B.Sc (Secretary).

Apologies for non-attendance were received from Mr. C. Hewetson Nelson, J.P., Mr. Ernest T. Kerr, Mr. William Paynter, Mr. Alan Standing, and Mr. F. Woolley, J.P.

DINNER IN GUILDHALL.

The following resolution was unanimously adopted and ordered to be forwarded to the Lord Mayor :—

"That the Council of the Society of Incorporated Accountants and Auditors tender to the Lord Mayor and Corporation of London their cordial thanks for the use of the Guildhall on the occasion of the Society's Dinner held on April 14th, 1932."

The Council also adopted a resolution of thanks to the Secretary and the Staff for the completeness of the arrangements made.

MR. FREDERIC WALMSLEY.

The President, on behalf of the Council, expressed to Mr. Frederic Walmsley, Senior Past President, and to Mrs. Walmsley the congratulations of the Council upon their golden wedding which was celebrated on March 22nd.

COMPANIES ACT, 1929.

The Special Committee of the Council, of which the President was Chairman, presented their report on certain provisions of the Companies Act, 1929, which was received and adopted, and ordered to be sent to the President of the Board of Trade. (The text of the Report is to be found in another part of this issue.)

SOCIETY'S EXAMINERS.

The Council adopted a resolution of congratulation to Mr. Roland Burrows, Examiner in Legal subjects, upon his appointment as King's Counsel, and to Mr. Charles B. Milne, M.P., Examiner to the Society in Scots Law, upon his appointment as King's Counsel for Scotland.

AWARD OF GOLD AND SILVER MEDALS.

The Council awarded Medals as follows :—*Gold Medal :* Mr. Jack Ashworth Smith, Manchester, who obtained First Place in the Final examination held in May, 1931. *Silver Medal :* Mr. Thomas Reginald Johnson, Birmingham, who was second in Order of Merit in the same examination.

INCORPORATED ACCOUNTANTS' HALL.

The Council inspected two additional panels which had been fitted in the Vestibule, being (1) A list of Presidents of the Society. (2) A panel commemorating the services of the President, Vice-President, and other members of the Council in connection with the acquisition of Incorporated Accountants' Hall.

MISFEASANCE ACTION BY A LIQUIDATOR.

In the Chancery Division last month, Mr. Justice Maugham had before him a summons for alleged misfeasance brought by Mr. Arthur Tyldesley Eaves, Chartered Accountant, as liquidator of Wm. C. Leitch Brothers, Limited, Manchester, against Mr. William Cleghorn Leitch, managing director of the company.

The defendant denied the allegations.

Mr. Cyril Atkinson, K.C., and Mr. J. Bennett appeared for the liquidator, and Mr. J. Lustgarten for the defendant.

Mr. Atkinson stated that the company was formed in December, 1926, to acquire and carry on a business of retail dealers in perambulators, cycles, &c., owned by the defendant, and was wound up on a creditors' petition on June 23rd, 1930. The defendant was in effect the company. The substance of the case against the defendant was that the company was formed in fraud of future creditors, and that the business was carried on in fraud of those creditors, and the liquidator was seeking to charge the defendant with the debts of the company. There were four other claims against the defendant. One was in respect of £500 which he took out of the company, to which the liquidator alleged he had no conceivable right. There was another against him for payment made to himself of £300 which the liquidator said was a fraudulent preference. The third was for £684, which was alleged to be a fraudulent preference to the bank in order to escape liability for an overdraft guaranteed by the defendant, and the last was a claim for £154 in respect of dividends alleged to have been paid out of capital, there being no profits out of which a dividend could be paid. The company was supposed to take over the business as from September 30th, 1926, and a balance sheet was prepared for the purposes of the sale to the company. It was the liquidator's case that owing to the absence of essential books it was quite impossible to check the figures in the accounts. The company was formed with a nominal capital of two thousand pounds (£2,000), and the consideration price to be paid to the vendor was £5,000, which was to be satisfied by the issue to him of 1,000 fully-paid ordinary shares of £1 each and a debenture for £4,000 bearing interest at 6 per cent. per annum. The liquidator's case was that the company was hopelessly insolvent from the start, and that there was no justification whatever for the consideration supposed to be given.

His Lordship : The vendor chose to fix his goodwill at an enormous price. But you have got to take the contract now as a good one. I think it is a perfectly monstrous consideration from what appears on the books.

Mr. Atkinson said that at the end of March, 1927, when the first half-yearly accounts were made up, they not only dealt with the six months the company had been in existence, but for a whole year, and a fictitious profit was shown by bringing in a capital asset sold to the company. The defendant had fixed his salary as managing director at £1,000 a year, but for this six months had drawn the full amount instead of only £500.

Mr. Lustgarten said that the £1,000 included drawings the defendant was entitled to in respect of the six months prior to the company coming into existence.

Mr. Atkinson said that those drawings had been allowed for in the purchase consideration. Coming to the first five months of 1930, when he said that the carrying on of the business became fraudulent, Counsel said that from September, 1929, there had been constant pressure from creditors for payments. The liquidator had found 92 letters from creditors pressing for payment, many of which contained threats of proceedings. Notwithstanding this, goods were obtained on credit in January, 1930, to the amount of £769, and in February to the amount of £689.

"My suggestion is," said Mr. Atkinson, "that at the end of February, 1930, the defendant realised that his position was hopeless, and that there was not sufficient stock to cover his debenture." In March £2,217 worth of goods were obtained on credit. In April five writs were served on the company, but the defendant took delivery of £3,262 worth of goods, and in May £320 worth. In January, 1930, deliveries were taken from 28 different suppliers, in February from 20, March 45, April 58, and May 18. Of these suppliers, 26 had never supplied before, and from ten others nothing had been bought for a very long time. At the beginning of 1930 there were 76 suppliers to whom money was owing, and Counsel said he did not think there was a single case of payment being made except for the purpose of getting goods to a larger amount. With regard to the goods delivered in the five months of 1930, three payments were made—£167 which resulted in the delivery of goods to the amount of £149; £98 as the result of which the company got goods to the amount of £284, £148 and £101; and £30 12s. 6d. on the strength of which the company got goods amounting to £189.

Counsel put in a large bundle of correspondence, which, he said, showed the hopeless position of the company from the autumn of 1929, and that goods were obtained with complete knowledge of inability to pay for them.

Mr. Eaves, giving evidence, said that at the end of 1929 the crisis in the affairs of the company was inevitable. After paying off the debenture and the costs and expenses of the receiver and of the liquidation, there would be about £1,000 left, which meant that the creditors would receive roughly about sixpence in the £.

Cross-examined, witness agreed that in eighteen months the receiver made cash sales exceeding £6,000, and that this showed that the business had considerable potentialities. Having regard to the result of the company's trading, he did not think that with sufficient capital it could have carried on profitably.

Mr. Lustgarten: Your Counsel has spoken of a fictitious profit. Do you say that was due to the books being improperly prepared?

Mr. Eaves: I do not think sufficient reserve was made for book debts.

Do you suggest that the accounts were cooked?—I do not allege it. I prefer not to say anything. I had not the material with which to check the figures.

Mr. Eaves, in reply to further questions, said that in his opinion the goods obtained by the company in the last few months of its existence were obtained dishonestly.

Mr. Eaves, in re-examination, produced a list of figures showing the value of orders given by the company in the first four months of 1929 and in the corresponding period of 1930, when, according to his case, the defendant must have known that the company was hopelessly insolvent. The statement showed: Cycles, 1929, £831; 1930, £2,316, in respect of which only £27 was paid. Wringers: 1929, £106; 1930, £757, in connection with which not a penny was paid. Perambulators and toys: 1929, £870; 1930, £3,257, in respect of which £269 was paid; and gramophones: 1929, £36; 1930, £247, of which £9 was paid.

Representatives of a number of manufacturing companies gave evidence as to having executed orders from the Leitch Company in March and April, 1930, and not being paid.

Mr. Atkinson referred to numerous other orders given by the defendant during the period in question, some of which were subsequent to the issue of writs against the company, and others after the defendant had called a meeting of the company's creditors.

Mr. Justice Maugham asked Mr. Atkinson to define what he meant by "intention to defraud creditors of the company."

Mr. Atkinson: Incurring debts knowing you are insolvent.

Mr. Justice Maugham: I do not think that will do for you under the Companies Act, 1929. Even if he was incurring debts with 50 creditors, he might intend to pay them and leave the other creditors in the lurch.

Mr. Atkinson: Then there is the intention to defraud the others. What the Act aims at is the intention to defraud creditors and not every single creditor.

Mr. Justice Maugham: What is the group of creditors you say he intended to defraud?

Mr. Atkinson: All the creditors from, at any rate, after March 1st, 1930. There is no pretence here of any intention to pay anyone after that date in the ordinary course of business. Some were paid, but only for the purpose of getting still more goods—a sprat to catch a whale—a fraudulent purpose to obtain an enormous quantity of goods with the object of securing his own debenture. If it were to be held that a director could purchase goods knowing that the company was unable to pay, the Act would have a most detrimental effect on all commercial business.

Mr. Lustgarten, opening the defence, submitted that there was a vast difference between inability to pay and an intention not to pay, and that unless there was an intention not to pay there was no fraud. The basis on which all trade proceeded and was intended to go on was the purchase of goods on credit, the selling and paying for them, and the making of a profit if all went well. It was not fraudulent trading merely to obtain goods on credit knowing that you could not pay cash for them there and then without realising them. He would ask his Lordship to say after hearing the evidence that there was no foundation whatever for the allegation of fraudulent trading.

Mr. Wm. Cleghorn Leitch, the defendant, said that up to the time of the formation of the company in 1926 his business had shown a profit. His accounts were certified by a professional accountant. It was absolutely untrue that the sale of his business to the company was a scheme to defraud creditors. He thought that the business would increase rapidly and opened two further shops. The absence of any profit for the first six months of the company's working was due to the after-effect of the coal strike coming on top of the winter season. In the following year there was a profit of £676. It was always the practice to lay in large stocks in the early months of the year.

In further examination, Mr. Leitch was asked why in 1930 he purchased goods largely in excess of the previous year.

He said he had advertised very extensively, and on the strength of that laid in large stocks. Apart from that, he bought an increased number of cycles because in 1929 they had proved to be a good addition to the business. Even after several writs had been issued against the company in April, 1930, he did not think that the business would have to be wound up, but went on making purchases in the belief that he would be able to make arrangements for payment.

Mr. Lustgarten: Did you ever from first to last make purchases simply in order that you might get the benefit of them personally?—No, I did not.

In reply to Mr. Atkinson, K.C., he denied that the company, in agreeing to purchase his business for over £7,500, was paying a great deal for very little, or that on those terms the company was in a hopeless position from the start. He said he did not appreciate at the time that in the first six months of the company's trading there was a loss of £2,550.

Mr. Atkinson stated that when the company ceased business in May, 1930, there was £11,958 due to creditors of which £7,000 was in respect of goods ordered since January 1, 1930, and asked witness if he thought it was honest trading to order goods when he knew perfectly well he could not pay for them.

Mr. Leitch said that he did not know beforehand what was going to happen. He thought he would be able to make arrangements to be financed in respect of hire purchase agreements, and that the other goods would be paid for out of cash sales.

He agreed that he had repaid himself a loan made to the company and substantially wiped out the bank overdraft which he had personally guaranteed.

Mr. Atkinson: And I suggest that nobody except yourself benefited by this five months' trading.

Mr. Granville Harcourt Vernon, who described himself as a certified accountant practising in Manchester, said that he had been accountant to Mr. Leitch and afterwards to the company, and accepted full responsibility for the accounts and balance sheets challenged in this case.

In cross-examination he admitted inaccuracies (described by Mr. Atkinson as "amazing"), and said they were due to want of thought and that he could not explain them. He denied that they were made at the instigation of Mr. Leitch.

Mr. Atkinson: Is it not perfectly plain that you and Mr. Leitch regarded this company as a means of robbing others?—No, certainly not.

You may try to be loyal to Leitch, but I suggest you could not have done these things except on his instructions?—The only thing Mr. Leitch instructed me on was the amount of his remuneration. Otherwise, he never instructed me with regard to the accounts.

Witness agreed that the payment of the dividend was not justified. At the time he did not appreciate the fact.

He denied that he had ever stated that he was "under the thumb of Mr. Leitch," or that Mr. Leitch told him that 40 or 50 per cent. of the hire purchase sales were bad debts.

Mr. Atkinson: Your statement was taken down by a shorthand-typist.

Mr. Vernon: I certainly cannot remember saying it, but I won't swear I did not say it.

Mr. Justice Maugham, giving judgment, said that the case was one of considerable difficulty, as it involved the true construction and effect of sect. 275 of the Companies Act, 1929. There were other points free from difficulty. It was a matter of very considerable importance to the defendant, because the liquidator alleged that the defendant had been carrying on the business of the company with intent to defraud the creditors, which, since the passing of this section of the Act, had become an indictable offence, for which the defendant was liable to imprisonment on conviction for a term not exceeding one year. Having regard to that fact, he had mentally criticised the evidence with all the care which he could bring to bear on the matter. The defendant was charged with almost every kind of offence that could be charged against a director in the liquidation of a company. This company was what was known as a one-man company, but his Lordship said he did not think it was open to him to hold that at the date of its formation there was an intention to defraud future creditors simply because the amount of consideration payable to the vendor was excessive, or that the vendor had thought fit to protect himself against future creditors by taking a debenture. At that time the defendant appeared to have been perfectly solvent.

His Lordship referred to the lumping together of the first six months' trading of the company with the previous six months of the defendant's business as "wholly irregular and improper," and said that a fictitious profit of £2,580 was shown, whereas in the six months of the company's trading there had in fact been a loss of over £2,550. The books kept by the defendant prior to the formation of the company were very defective, but since he became governing director of a limited company, he was bound under the Act to keep proper books and proper minutes. There was no bought ledger and no sales ledger, no day-book showing purchases or sales, no invoices, and some stock sheets were missing. In those circumstances it was obvious that the auditor, Mr. Vernon, although he seemed to have given certificates, was quite unable to explain what the true position was. The defendant had, therefore, only himself to blame if unfavourable inferences were drawn both in relation to payment of dividends and other matters. It was clear that so far as the first six months of the company was concerned, the defendant had drawn £1,000 as director's remuneration when he was entitled only to £500, and he must repay £500 to the company. With regard to the dividends of £154, his Lordship held that these were paid out of capital, and that the defendant was liable to repay the amount. The position of the company became steadily worse, and on March 1st, 1930, the company owed £6,500 for goods supplied. The defendant wanted £4,800 to secure his debenture, and the bank had allowed an overdraft of £600 guaranteed by the defendant to be increased to about £800, and the defendant was exceedingly anxious to relieve himself of his liability on the guarantee. Practically all the creditors of the company at that time were pressing for payment. There were 76 of them writing and demanding payment, and his Lordship said he had read hundreds of letters from them in which they were asking for something on account.

"In my opinion," added the Judge, "on March 1st, 1930, it was plain to the defendant that the company was insolvent, and that the end was inevitable." If the defendant had gone on trading in the ordinary way of business in those circumstances, his conduct would have been blameworthy, but it might well have been ascribed to the optimism of a trader. The course he did take, however, loudly called for explanation. What he in fact did was to embark upon purchases of goods to an amount enormously in excess of the ordinary requirements of the company, purchasing the goods on credit with the knowledge that their chance of being paid for was negligible. No trade creditor had been paid in full since

January 1st, 1930, but the defendant repaid himself a loan to the company of £300 and practically paid off an overdraft at the bank which he had guaranteed. The defendant had given evidence, and his Lordship said he thought it was sufficient for him to say that the explanations he had given of his conduct in 1930 as managing and governing director of the company were wholly unsatisfactory. His answers left a very unfavourable impression as to his veracity. Even after several writs had been served on the company, the defendant obtained £1,300 worth of goods on credit. The conduct of the defendant since the liquidation had also been most unsatisfactory. He appointed a receiver, and acting as manager to the receiver until he was dismissed he wrongfully removed £260 worth of goods from the premises and took £1,300 of the company's money on account of his debenture.

"The conclusion of fact I am bound to come to," said his Lordship, "is that from March, 1930, the company was carrying on business with intent to defraud creditors with the knowledge and indeed under the direction of the defendant."

His Lordship proceeded to say that this brought him to a decision as to the true construction of the Act, and he felt bound to hold that the liability of the defendant was not unlimited, but must be limited to a particular sum. He therefore declared that the defendant was personally liable for a sum of £6,000 which would be charged upon the debenture he held. He would also order the defendant to pay to the liquidator £260 in respect of the goods he had removed from the premises, and the £1,300 he had taken on account of his debenture; also the £500 he had overdrawn as director's remuneration, the £154 wrongly paid as dividends out of capital, and the £300 loan to the company which he had repaid himself, and the amount of the bank overdraft personally guaranteed by him which he had substantially paid off during the insolvency of the company, both of which latter amounts his Lordship held were fraudulent preferences to defeat the rights of the creditors.

The defendant was also ordered to pay the costs of the proceedings.

Mr. Justice Maugham said that there would have to be a further application by the various classes of creditors to decide which of them would be entitled to the sum that was recovered from the defendant.

INSTITUTE OF CHARTERED ACCOUNTANTS.

The Annual Report of the Institute of Chartered Accountants in England and Wales for the year 1931, which has just been issued, shows that on January 1st, 1932, the membership of the Institute was 9,666, an increase of 440 on the previous year. The membership consists of 1,985 Fellows, 2,404 Associates in practice, 4,212 Associates not in practice, and 1,065 members outside England and Wales. The total number of candidates examined during the year was 3,054, of whom 1,656 passed and 1,398 failed. It is pointed out that as the result of representations that repetition in the topographical list of the names of members having offices in more than one town was undesirable, the Council have made alterations in the printing of the list to meet this objection.

Monetary Policy.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London and District by

Mr. A. de V. LEIGH, M.B.E., M.A.

The chair was occupied by Sir JAMES MARTIN.

Mr. LEIGH said: It gives me very great pleasure to be here to-night and have this opportunity of addressing you in my private capacity. I want to make it very clear that anything I say to-night must not be taken as necessarily reflecting the views of the London Chamber of Commerce, which, in my official capacity, I have the honour to serve.

In their dealings with one another, there is nothing of more importance to human beings, on the material side, than that they should have just weights and measures. This is true in all civilisations and in all ages. For instance, you will find some very emphatic statements on this subject in the Old Testament: "A perfect and just measure shalt thou have"; "Divers measures are an abomination unto the Lord."

Now the greatest measure of all is the measure of value. If that is inequitable, then the meticulous keeping of measures of weight, measures of capacity, and linear measures, is pointless.

There is nothing which so intimately concerns each man, woman, and child, in his or her daily life, as that the measure of value should be perfect and just. They would very speedily make themselves heard if they found measures of weight, or linear measures, being altered, but the injustice which could be inflicted in this way is trifling compared with that which could result if the measure of value were inequitable.

Have we got an honest measure of value, when a debt contracted twelve years ago requires, at the present time, to discharge it in commodities, from three to three and a-half times its original commodity value, apart altogether from the annual interest? It is, no doubt, quite true to say that the loan was made in money, and that if £100 was lent twelve years ago, £100 should be repaid now; but if, in the meantime, that £ has been altered so that it measures a totally different quantity of goods, the fact that it is still called a £, although a totally different sized measure, does not do away with the injustice.

This point would be readily appreciated if a man borrowed a yard of cloth and, when he came to return it, the lender produced a yard measure three times as long as the one he had used when he made the loan, and insisted on receiving back three times as much cloth as he had lent. His excuse that it was nothing to do with him if, in the meantime, the measure had been elongated; that he had lent a yard of cloth and this was a yard measure, according to the Standards Department, would hardly carry conviction to any jury of good men and true. Yet we have become so accustomed to this particular happening at frequent intervals in our measure of value, that we accept it as a law of nature. It is, as I hope to show, not a law of nature, but is due to a deliberate act, carried out in conformity with the rules of the International Gold Standard.

I do not propose, therefore, to-night, to consider our troubles from the money end, with a view to seeing how human activities can be made to conform to the existing money system, but I propose to start at the other end—to consider human needs and so to indicate the lines along which your studies might advantageously

be directed, in order to find a money system which would suit human activities.

Most of you probably, at some time, have had to reel off wire from a roll and know, from experience, that if you get hold of the wrong end, you will soon create the most ghastly tangle. This, I suggest, is in fact, what we have been doing. With long words and obscure phrases we have been trying to explain why it is that human activities obstinately refuse to fit into our monetary framework, and there is no unanimity, as you may have noticed, as to the reasons.

Those of you who have attempted to reel off wire from a roll by the inside end, will also, no doubt, have used long words and obscure phrases. I do not propose to inflict these upon you to-night, because I am going to ask you to have a good look at the roll as it is, with a view to seeing whether it might not be possible to unravel it from the outside end.

You will be told that, sooner or later, you will come upon the tangle in the middle. This is no doubt true, but in the meantime you will have reeled off a quantity of wire, and even should it prove necessary, when you arrive at the tangle, to use the wire cutters, you may have obtained more than enough to enable human beings once more to get about their business.

Let us look at the facts, then, from the angle I have indicated.

Human beings need commodities, not money. They want food, clothes, houses, furniture, motor cars, ships, and, in essence, must get these things by barter. "You can give a service and I have got a pair of boots to offer in exchange; but you like shoes, so we cannot do a deal." Men, therefore, invented money as a token. Now I can exchange my boots for these money tokens, give them to you for your services, and you can give them to someone else for the shoes you want.

Money in itself is useless. If you were on a desert island and had to choose between a million pound notes and a good strong pocket-knife, you would prefer the latter. Money is only useful as a token of exchange, an acknowledgment, recognised by everybody, that you have put something into the common stock and are entitled to take something out, to the same value.

Money has this further advantage over simple barter: it enables you to defer your claim to commodities. But if it is to be an honest measure of value, it is essential that when, later on, you exercise that claim, you should receive no more and no less than you would have done had you exercised it at once. Moreover, if you do not, at the moment, require the commodities yourself, you can lend that claim to somebody who does.

Under the simple barter system, if you lent your neighbour a quarter of wheat, you would expect to receive a quarter of wheat back, with a small additional quantity as a reward to you for having given up the right to use it yourself for some time, and for having incurred a certain amount of risk of never seeing it back again.

Under a monetary system, you lend your neighbour £5 with which to buy a quarter of wheat, and when he has grown his own he sells a quarter of wheat, gets £5 for it, and gives it to you with interest.

Now the position at the present time, all over the world, is that the man who borrowed enough to buy a quarter of wheat in 1920, has to sell to-day from three to three and a-third quarters, in order to realise the same amount of money with which to pay back his loan; so that the lender has not only received his annual interest but receives back three times as much in commodities as he lent. The debtor has to pay three times as much as he anticipated, and the creditor receives back three times as much as he anticipated. Is that an honest measure of value?

How has this happened? The currencies in every country in the world, with the exception of the United States and France, have been systematically contracted, and this has been done in accordance with what are described as the "rules" of the Gold Standard system, as I will explain later on.

By reducing the number of available tokens and so making them scarcer, they were made more valuable in terms of commodities. This is in accordance with the Quantity Theory of Money. Where two had previously been required to buy a particular article, one only was now available. In other words, £1 now bought what £2 had previously bought, or, put in another way, prices fell.

Prices fell to a point where the producer of foodstuffs and raw materials was making a loss instead of a profit. He was therefore unable to buy manufactured goods; and you will appreciate that the primary producing countries are the biggest importers of manufactured goods. The manufacturer, therefore, as soon as the demand for his product had fallen, reduced his output. This meant dismissing men. These men—on the dole in some countries, and in other countries penniless—were no longer able to buy, and so ensued a further reduction of manufacturing activity and the dismissal of more men.

Now a manufacturer's costs of production rise as his output is reduced, since his overhead charges have to be spread over a smaller number of units. Hence, with rising costs and falling prices, the manufacturer too was soon making a loss instead of a profit and so was unable to pay dividends, thereby reducing the purchasing power of the shareholders.

We arrive then at the year 1932. We see, on the one hand, nature, immensely bountiful; scientifically-equipped factories capable of providing every human want and ready to raise the general standard of living of all human beings to an infinitely higher level; and, on the other, millions of men all over the world without work, in great poverty and want; factories working, at a loss, to 25 or 50 per cent. of capacity; and the Governor of the Imperial Bank of India, referring to the "teeming millions of Africa and Asia" as "half-starved, and less than half clad." Instead of a great increase in the general standard of well-being, a progressive decline. Again to quote the Governor of the Imperial Bank of India, "one can scarcely agree that there is any over-production in regard to requirements, but there is certainly over-production relative to purchasing power."

The essence of the problem, then, is to increase purchasing power, and yet the world's purchasing power has, for years, been steadily falling, and, in my submission, this is due to a faulty monetary system, which has been directly responsible, through currency contraction, and indirectly through countless disequilibria, the setting up of which a satisfactory system should have rendered impossible (*e.g.*, excessive tariffs, attempts to pay War Debts and Reparations in gold).

Now let us look at the monetary system. The following is a rough picture of what is supposed to take place under the International Gold Standard.

If prices generally are higher in Country A than in Country B, Country A is a good country for B to sell in, but a bad one for it to buy from. Instead, therefore, of taking out the payments due to it for its sales in the form of goods, Country B takes them out in the form of gold. The loss of gold suffered by Country A should induce it to contract its currency and credit, with the

result that its prices would fall. Country B, on the other hand, having acquired additional gold, should expand its currency, with the result that prices would rise, thus once more restoring equilibrium between the two countries.

The reaction in Country A, in times past, to this crude method of control, was that wages were promptly lowered and strenuous efforts were thereupon made by manufacturers to increase their export trade in order to compensate for the reduced internal purchasing power. If this failed, unemployment necessarily followed. Moreover, the influx of the fresh gold into Country B usually had the effect of raising Country B's prices and making it less competitive, so that Country A was soon in a position to regain some part of, if not all, its lost gold.

Now you will readily see that three things are necessary in order to make this system work. First, it must be possible for Country A to make substantial and rapid reductions in general wages. Secondly, Country A must have available markets for its additional exports, and thirdly, Country B must be prepared to let the gold which has flowed in from Country A, flow out again, should the restoration of equilibrium demand it. It is not sufficient that one or even two of the requisites should be present: all three must be. In actual fact, no one of these three requisites to the working of the system do nor can happen under post-war economic and social conditions.

The resistance of trade unions to general and substantial reductions in wages, is quite effective in this first half of the Twentieth Century. In theory, if money wages fall in the same ratio as prices, no hardship is involved: but in practice, fixed charges, rent, rates, taxes, interest, do not fall in the same ratio, if at all, so that a very definite hardship is inflicted. Wage reductions are therefore resisted.

It is a further reflection upon the monetary system that, had it been possible to force down wages it would still have been necessary for the Continental countries to go one better, so that the world's purchasing power would have been even more inadequate than it is.

The theory that if wages could be forced down here so that our prices became competitive, we should then be able to expand our export trade and acquire a favourable balance of payments, was exploded when we went off the Gold Standard. British industry was then able to quote competitive prices against any other country. The result was, not a great increase in our export trade, but immediate and effective counter measures by 24 foreign countries, who either suspended payment in sterling or severely restricted it. They employed the simple expedient of forbidding their nationals to pay us for our exports. This was not done from malice, but because those unfortunate countries realised that if they allowed us to undersell them they would lose such little gold as still remained to them, and would suffer the appalling miseries of uncontrolled currency inflation, for the second time—so far as some, at least, of them were concerned—in one generation.

As no country, with few exceptions, can afford to lose gold to any other, a contraction of currency by one is followed by contraction by the rest, so that the advantage which the first hoped to gain is promptly neutralised by the action of the other nations. All then are once more in the same relative position, but on a lower and worse level. Even the countries not on gold must follow suit, if they are to remain competitive.

The mentality of the nations at the present time reminds one painfully of the story of the Gadarene swine: the last of the herd was, no doubt, obsessed with the desire to get to the front and be one of the leaders." Let us be thankful that Great Britain is still at the back of the herd, and there is yet time for her to stop and retrace her steps. This country must lead the Empire, and those nations which are prepared to follow her lead, back up the hill to safety before it is too late.

Salvation must be looked for, through co-operation with such countries as are prepared to join us, in raising prices and restoring the purchasing power of our peoples, and not in an attempt to lower prices still further.

The Macmillan Committee recognised that this was essential if the situation was to be saved, and looked to international co-operation. Such co-operation is, perhaps, more distant now than it was when the Committee reported in June, 1931.

Are we, therefore, to await the inevitable crash in a fatalistic mood, concentrating our attention upon improving our position as a nation relatively to the others; ensuring, in fact, that we shall be the last to go over the edge—and this merely because universal agreement is impossible—or ought we not, instead, to agree with those nations who will agree with us, stop our downward rush, and start on the climb up and back again to safety, with such as will come with us?

The prospect of general international agreement does not appear to be bright. There probably never was a time when there was so much fear, suspicion, and hostility amongst the Continental nations. There is no general desire that their neighbours should be prosperous because confidence is lacking.

There is no fear amongst the Anglo-Saxon peoples, and it is up to us to give the world a lead in this matter: later the other nations, too, will join us.

It is probable that an original group could be formed consisting of the British Empire, the United States, the Scandinavian countries, and the South American Republics. Trade with those countries which refused to co-operate with us could then be carried on by the Clearing House system on strictly barter principles. Owing to exchange restrictions, the Clearing House system, so far as most of the Continental countries are concerned, will be forced upon us in any case.

In my submission, the essence of the problem is to find a monetary system which will enable the peoples of the world to absorb the immense increase in production which has been made available through modern science—in other words, that they should be allowed to enjoy the fruits of their labour. My endeavour, to-night, is to show that the reason why this has not been possible in the past, and is not so at the present time, is because of a faulty monetary mechanism.

The working of the International Gold Standard lays every country's standard of living open to attack by any other countries which care to undersell it. Every import does not, in fact, carry an order for an export of goods or services round its neck. It may, and, in the long run, does, carry an order for an export of gold, if the importing country's price level does not follow the reductions made in theirs by other countries.

It is remarkable that, in the Twentieth Century, we should still be presented with the spectacle of streams of ships carrying gold in one direction across the sea, and, a few months later, streams of ships carrying gold back again: and this is an age which boasts of the development of a system within the individual countries under which money with no physical existence is conveyed from one account to another by means of cheques, and under

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The Bennett College Wrd. Sheffield.

Mr J H Bennett.

Dear Sir,

As you may be aware I was successful in passing the final Examination of the Institute of Cost & Works Accountants held in Dec. 1931, taking first Place, and being awarded the S. Lawrence Gill Prize. May I take this opportunity of offering you my heartiest thanks for the very excellent Treatment I have had at your hands. It speaks well for the excellence of your system, the thoroughness of your courses, the completeness of your assistance and the interest which is taken, not in "L 97679" but in "Joseph Russ". I may add that I could not have achieved my small successful effort without the help and guidance of you and your staff, and hope that you will once more accept my heartiest thanks. There is an old axiom, "Nothing succeeds like success," and I shall not forget Bennett College when speaking to other men who wish to take up courses of Study.

Yours gratefully
Joseph Russ.

(Inserted with the permission of the writer)

which the indebtedness of banks *inter se* is settled through clearing houses.

The first thing, then, that we should look for in a satisfactory monetary system, in its international aspect, is that it should ensure the establishment of equilibrium between nations at the level of the more advanced countries and not, as at present, at the level of the least advanced. Would not this happen automatically if the practice of settling international balances through shipments of gold were abandoned, and each nation sent its Central Bank into a Central Bankers' Clearing House with fixed international exchange rates.

One of the attractions of such a proposal is that it involves no sacrifice of national dignity or independence by any country, however small. Each nation would send its Central Bank into a Bankers' Clearing House on absolutely equal terms with every other nation. We should not be working to a sterling standard nor a dollar standard, but to a rediscounting standard, with a fixed exchange ratio between all currencies. The rupee, the mark, the franc, the kroner, the peso, and all the other currencies, would come in on equal terms with the dollar or the pound.

Any nation, then, in our group which attempted to maintain a lower standard with a view to underselling would find itself with money credits owing to it in the other countries. These it would be unable to take out in gold because gold would not be used for this purpose: exchanges could not be knocked down by these credits because exchanges would be fixed: it could, therefore, only take them out in goods or services. If it did not do this it would simply lose its export trade, as its merchants would not sell if they could not get their money out.

This is actually happening in this country at the present moment. There are perfectly solvent firms in Continental countries who wish to buy from us, but our merchants are refusing to sell because, owing to exchange restrictions, they are unable to get their money out of the country. The reasons for the present hold-up are totally different from those which would operate under the scheme outlined above, but the effect is the same.

Under such a system as that outlined above, the remedy of the nation with money credits in other countries which it could not profitably take out, would be to raise the wage level of its people to a point where its general level of prices equalled the general level of the other nations of the group. It would then find it profitable to take its money out in those goods and services in which the selling country specialised, and which would, therefore, have a price level lower than the general price level.

The tendency would be for nations to level up and not, as at present, for nations to level down.

This does not mean that the relative standards of nations, due to superior intelligence, better equipment, &c., would be altered, but it does mean that the general world tendency would be for improvements in the more developed countries to raise the standard of the least developed, instead of, as at present, for all to be forced down to lower levels.

Now let us consider what the effect of such an assurance against outside attack would be upon the internal economy of each nation.

We should want next, an internal monetary system which would ensure that the currency expanded and contracted automatically—I want to emphasise that word "automatically"—with the activity of business.

It appears to be generally accepted that the International Gold Standard system provided an automatic currency. It did in the sense that your currency was taken from you automatically whenever some foreign nation, whether for political reasons or otherwise, withdrew gold, but it was certainly not automatic in relation to the needs of producers and consumers within the country.

It has been advocated that every country of the Empire should have a uniform monetary system. This does not, of course, mean uniform currency, but merely uniform banking practice.

Might it not be well to consider in this connection the claims of Central Banking practice with the rediscounting of bills, which is the most modern method. It is already in practice in the United States, France, and South Africa. Canada has a system which would require little alteration. It was recommended for adoption in India by the Royal Commission on Indian Currency and Finance, and it would be very suitable both for Australia and New Zealand.

The American system has been condemned because of certain very evident and glaring weaknesses. Might it not be a more profitable course to accept the remarkable virtues which that great experiment in modern banking practice has been shown to possess, and to consider whether the weaknesses cannot be eliminated.

Before going back to the broader issues which we are now considering, I should like to leave these points with you for reflection.

In 1929, in spite of, and not because of, the most preposterous inflation on the financial credit side, security values and fixed assets being pushed up to incredible heights, the industry of the United States, with a price level approximately the same as ours, was able to pay the highest "real" wages and to make the biggest profits in the history of the world. I repeat, in spite of, and not because of, inflation on the financial credit side.

The United States has probably not yet paid the full penalty for her failure to control the total volume of financial, as distinct from industrial and commercial, credit. Let us further remember that the United States, as an integral part of the International Gold Standard system, is experiencing the effects of one of the essential and most vicious features of that system: its standard of living is now being dragged down to that of the countries whose standard it has itself been largely instrumental in driving down.

These considerations are, I suggest, worthy of more careful attention than they have hitherto received.

My answer to those who say "British banking alone is standing up to the present crisis," is that this is due to the shrewdness, caution, and integrity of British bankers, and not to the system, which, no longer under their sole control, is developing all its inherent weaknesses.

Let us take the position of the manufacturer under our present system, who, having sold 100,000 units in one year and seen his sales steadily rising as time goes on, decides that he can, in the next year, dispose of 150,000. He enlarges his plant accordingly, and starts to manufacture at that rate. For some political or other reason, quite remote from the needs of producers and consumers, France or some other country suddenly starts to withdraw gold, currency is contracted, prices fall, and our friend, the manufacturer, has his product left on his hands or he must sell it at a loss. Alternatively, gold flows in, prices rise, and our manufacturer shows an abnormal profit. This encourages the formation of several more companies to manufacture the same article, seeing so large a profit is to be earned in so doing. Gold is

once more withdrawn, prices fall, and those new companies are ruined, probably dragging the original company with them. It will not be difficult for you to think of a number of such companies formed during the boom period of 1928 and since gone into liquidation.

With fixed exchanges working through a Central Bankers' Clearing House; with the elimination of gold for international payments; and with an internal currency rising and falling automatically with the activity of business, abnormal profits and losses would both be eliminated, and the tendency would be for prices to fall to lowest cost of production, subject to profit. In this way, "real" wages could be increased to a point where the population could absorb the immense increase in production rendered possible by modern scientific methods.

With full internal purchasing power, nations would be only too ready and willing to exchange their commodities with one another. Under present conditions, every nation, even with millions of men standing idle and factories working to a quarter of their capacity, has a large surplus which it must dispose of abroad. The first instinct of self preservation demands that it shall, at any rate, retain for its own use such internal purchasing power as still remains to it. Hence excessive tariffs and a state of thinly veiled hostility, each nation trying to thrust its unwelcome goods, under pressure, upon its neighbours.

With utterly inadequate world purchasing power, if one nation obtains sufficient markets for its goods, others must go short. So long as that state of affairs continues, it is merely childish to suppose that war can be eliminated. So long as the cause of war—the desire to obtain a larger share of totally inadequate purchasing power—remains, disarmament will continue to prove a mirage, and a very dangerous one to those who, in their certainty of reaching it, drink their remaining supply of water.

Now before I sit down I should like to say a word of cheer to those who feel despondent about the future of this great country. I should have thought that the War would have disposed of the legend that England is decrepit. England awoke suddenly, on August 4th, 1914, into very vigorous manhood, but has relapsed again into apparent apathy. This is not due to old age, but to the fact that her people are disillusioned. They have "tried out" being rich, and have merely created slums; they have "tried out" trying to bring justice, decency and a better life to backward races, and have harvested abuse; they have "tried out" creating better relations amongst nations; they have policed the seas of the world, free, gratis, and for nothing, without which there would once more be piracy; they have financed the trade of the world through the sterling bill market in London, and they have left their market wide open in the futile hope that their example might be followed.

When England really gets a grip of the root cause of her failure, and sees before her a new and worthwhile job to do in the world, then she will rise as young and vigorous as in the days of Raleigh or Cromwell or the revivalists of the last century. England only needs a worth-while objective to lead the world again. That objective is the prosperity, dignity, and peace of all men and nations of goodwill, to be attained not by domination, but by service. In my submission, there can be no widespread prosperity under the International Gold Standard for the reasons I have given. There can be neither individual nor national dignity whilst the standard of living of the individual, and of the nations, is subject to manipulation by outside agencies. Nor can there be peace in the world whilst all the nations are obliged to struggle for such totally inadequate markets that the success of one involves disaster to others.

Discussion.

The CHAIRMAN: Mr. Leigh has given us a bold, vigorous and refreshing paper. I can quite imagine that the views he has expressed may not meet with universal approval from bankers, but this is not merely a bankers' question. It is a question for all of us, and I think the paper which Mr. Leigh has delivered helps each one of us to think out these questions for himself. If we study these questions carefully, I think we shall be able to do something towards the solution of the difficulties under which our country and the whole world is labouring at the present time, and in this hope I am going to ask Mr. Cassleton Elliott to start a discussion which, I trust, will be sustained for some little time.

Mr. E. CASSLETON ELLIOTT (Vice-President of the Society of Incorporated Accountants and Auditors): They say that fools rush in where angels fear to tread! I am afraid that that is my case this evening, because I had not an opportunity of reading the synopsis of Mr. Leigh's paper before coming here, and I had no idea as to the course which the paper would follow. While listening to the paper I have been wondering whether Mr. Leigh, amongst his many other investments, holds any gold-mining shares, because it seems to me that, if he is to abolish gold as a standard, those very large and expensive gold mines in South Africa will be comparatively useless. I am not suggesting, of course, that they will be entirely wiped out, but I would remind Mr. Leigh that they have cost a large amount of service—I will not use the word "money"—in going to the depths which they have attained—as some of you know, over a mile—to recover a very minute portion of precious metal which has been the standard for many years. The scheme which Mr. Leigh has outlined is, as far as one can see, an excellent one, but I am afraid at the present moment it is rather Utopian, because it means that if there is to be an international standard, instead of trading in the various currencies which he has suggested—sovereign, dollar, peso, kroner, &c.—they will all be equal, and one could really have an international money standard. I must confess that from my own point of view nothing would delight me better, because amongst the various activities in which I am engaged is that of dealing with a commodity which is a household commodity, which unfortunately costs just the same amount to produce in service in the country in which it is produced, whether the exchange rises or falls. The result is, unfortunately, at the present time, that the price of that commodity is depressed to such a low level that it scarcely pays to grow. I am not referring to rubber; I am referring to a more household commodity than even rubber. But we are up against this difficulty: we must still continue to produce, because once you stop your estates go back to virgin soil and to jungle. We are living in hope. If Mr. Leigh's solution were adopted by all the nations he refers to, including the British Empire—if he could induce South Africa to give up production from the gold mines except for uses other than that to which the gold has been put up to the present time—then I am wholeheartedly with him. I see many difficulties in the way, but one has to put up with difficulties, and I have not the slightest doubt that Mr. Leigh is sufficiently courageous to go forward. I wish him well. He will have a heavy task, but so far as the students of this Society are concerned, I know we are all thinking about these things, and in thinking about them we are helping on the object he has in view.

Mr. RICHARD A. WITTY, Incorporated Accountant: I think the students of to-day have a great advantage in the fact that questions of monetary policy are very live questions. Twenty or thirty years ago we rarely read anything about money and currency, except between the covers of a textbook on banking, but to-day one can

scarcely open a newspaper without seeing columns written by financial editors or other experts on questions of money and exchange. As most of you know, here in the Incorporated Accountants' Hall we have had a good many addresses by financial experts on various aspects of this subject, and, let it be whispered quite quietly, the experts have not by any means been in agreement among themselves. I am quite sure, therefore, that Mr. Leigh's feelings will not be hurt, but he will be rather pleased than otherwise if you can put forward views opposed to those which he has expressed; but be prepared, of course, for him to tear your particular views to pieces. I am going to take the risk myself in some degree. I suggest, as a point for discussion, that Mr. Leigh has not stressed as much as he might have done the effect of all the indebtedness in relation to reparations and war debts—the effect of all those transactions on the general question of international exchange. If we think for a moment of what has happened since this country went off the gold standard, we realise that the fluctuation in the value of sterling has been a fluctuation of exchange value only. It has not really affected the value of sterling as measured by its purchasing power in this country. Now, the mere fact that we have maintained the purchasing power of sterling in this country is a very remarkable achievement; but we must realise that it is necessary to do something to maintain a definite value in regard to exchange, because, obviously, with a fluctuating value for exchange purposes the efforts of our exporters and our importers are hampered. It would seem, therefore, that some sort of fixed value is necessary, otherwise you are bound to have fluctuations, which may or may not be violent, on the exchange affecting trade between one country and another. Before we really consider the reimposition of any fixed value, however, considerable revision must be made in the general position of international finance throughout the world. I want to make a definite proposal to Mr. Leigh. I want to suggest to him that even to-day the gold standard would be equal to all the demands of ordinary international trade. But when you have, superimposed upon ordinary trading requirements, these fabulous sums for exchange in gold which have to be paid under the name of reparations or war debts, it is little wonder that any fixed value could not be maintained. If we could get rid of these abnormal transactions it would be possible to get back to a fixed value. I suggest, therefore, that in all our discussions we must visualise a return to a fixed value at some date or other. Mr. Leigh's suggestion broadly seems to be this, that there must be co-operation between the nations. That, I think, is one point upon which every financial and economic expert agrees to-day. It may very well be that the policy of world-thought in matters of commerce is the path of light towards which the whole world has been blindly stumbling ever since 1914. But even when we have said that world-thought is necessary we must realise that there are tremendous difficulties in the way. It is not merely a question of people gathering around a conference table and saying: "We must consider the whole world as an economic unit." We know that in relation to time the world is infinitely smaller now than it was, owing to the improvements in transport and communication. The whole world is to-day no bigger relatively than a county was a hundred years ago. But that does not solve the problem of the different outlooks on life, and the different standards of living. However, I think it is quite clear that Mr. Leigh did not intend us to imagine for a moment that the mere setting up of a world co-operation would at once get rid of all the difficulties. But one phrase he used seemed to me to be the crux of the whole problem—that in this international Utopia, or congress of nations, there would be a fixed exchange value for all currencies. I should like to ask Mr. Leigh how that value for all currencies is to be fixed, by whom, and on what basis? Is it to be a definite standard, or is it to be left to settle itself by some process of supply and demand? I think that we are very much indebted to Mr. Leigh for the thoughtful address he has given us to-night. All these papers appear in the Transactions, and I cannot help feeling that when this lecture appears in print we may be able to realise its full value better than we can do to-night, and perhaps we shall then realise the remarkable foresight which has been shown by Mr. Leigh in his lecture.

Mr. A. A. GARRETT: I have heard several papers on this and similar topics, but I think Mr. Leigh's paper differs from some of those in this respect: he has offered us a constructive solution of some of our difficulties. I reserve my judgment as to whether I can entirely support the main propositions submitted, namely, (1) that an international banking clearing house should be established, operating upon fixed but arbitrary rates of exchange; (2) that internal currency should be based upon a system of re-discounting bills. Now, there are two main objects of monetary policy. One is to establish, as far as possible, fixed rates of exchange, thus enabling export and import trade to be conducted with facility; and the other is to aim at a stable level of prices. I should like to ask Mr. Leigh if he is entirely satisfied that under the new system proposed it would be possible to maintain simultaneously fixed rates of exchange and stable levels of internal prices. Since 1925 we have experienced practically stable rates of exchange, but in regard to price levels our experience unhappily has been the reverse. Mr. Leigh's proposals assume a degree of international co-operation, which I am sorry to say has been lacking. At present, it is extremely doubtful if America and France would be prepared to abandon the gold standard. With regard to the rediscounting of bills as a basis for internal currency, it may be contended that a bill of exchange backed by real goods or real production is a satisfactory security with which bankers can deal with facility. I think Mr. Leigh's view is that a system of bill re-discounting would act as a check on depression, but I doubt if it would be sufficiently strong to resist a world-wide slump. The risk of collapse under a bill system, if prices fell heavily, might be as great as under a gold standard system. We have to think of such items as repudiation of contracts, and the great trading difficulties which arise when prices fall. Speaking in general terms—apart from monetary questions, tariffs, exchange, and trade restrictions—the world is suffering at the present time from a great lack of confidence. In that connection, and in regard to the unfettered distribution of goods, Mr. Leigh has rightly emphasised the importance of finance. Finance is the channel through which goods must flow round the world, and the past and the present have manifested the enormous damage which fluctuating rates of exchange and unstable prices have had upon trade. Now, if the gold standard were worked properly—and a good deal of reform is necessary—there is a reasonable chance of seeing both the objects I have suggested being attained. A Gold Committee of the League of Nations drew up a report in three volumes of a most exhaustive character and its findings, I am bound to say, were very convincing. The Committee suggested there should be a better distribution of gold, that the available and future supplies of gold should be sufficient for the world's trade if properly handled, and that a new element of management was essential to attain these objects. A greater elasticity would be afforded in the proportion of currency issued against gold, and the gold standard system in a modified form could be re-introduced satisfactorily. I should like to know Mr. Leigh's views upon the difficulty of obtaining in this country what Prof. Clay calls intermediate term of capital; that is to say, the needs of moderately-sized concerns with, say, £20,000 to £250,000 capital. It is suggested that that kind of concern has difficulty in finding the necessary capital to carry on enterprise, especially if there is any element of risk.

Mr. W. J. BACK, Incorporated Accountant: The question of a managed currency has been discussed a great deal in this country and in other countries during the last few years. It is not a new proposition, but one that has been discussed very thoroughly, and the surprising thing is that while books (like those of Mr. Keynes)

discussing it have been read and reviewed, and to a large extent have obtained the approval in principle of the people who ought to know, yet in practice they seem to have made little progress towards convincing people that that is the kind of thing that should be set up. I suppose the reason is that the setting up of any kind of managed currency involves, first of all, that there should be a manager, and nobody seems inclined to trust the management in anyone else's hands. Mr. Montague Norman, Sir Josiah Stamp, and a few others might be very excellent managers, but they will not live for ever and must have successors at some time or another. Then, also, there is the working out in detail of some kind of technique by which the currency could be managed. One does wonder how the banking authorities could be expected in their day-to-day duties to get those principles put into practice. Everyone agrees with some criticism of the barbaric standard of gold, as Mr. Keynes calls it, but it is quite another thing to find something to take its place. One of the virtues of the lecture we have heard is that it proposes something which would work almost automatically once it is set going, and it would need a minimum of conscious management. Whether we realise it or not, for some years we have been living under managed currencies. The return to the gold standard was an endeavour to manage the currency in the interests of the bankers, and since then the management has passed into the hands of bankers in the United States and France. Therefore, a proposal that it should be consciously and deliberately managed is, after all, only a proposal that we should attempt to do intelligently that which has been done without a great deal of intelligence in the past. Mr. Leigh's basis of fixed exchanges working to a bankers' clearing house is a very attractive one. Mr. Garrett suggested, and everyone will agree with him, that no one would be so foolish as to express a view on the paper until he had an opportunity of looking at it in print and thinking about it. We shall all look forward to reading it and refreshing our memories and thinking these matters out again from Mr. Leigh's point of view. But it does seem to me that the suggestions he has made, if it be possible to carry them out, would go a long way towards creating that just standard which is the first necessity of the world as it stands to-day. Unfortunately, the countries of the world show very little sign of being in the mood in which they could come together and make the arrangement suggested. I presume when Mr. Leigh talked about a fixed rate he was thinking of a rate fixed in terms of commodities, so that the unit in each country would remain only as a measure of relation between different commodities. Of course, the difficulty of fixing the standard would be that with increases of efficiency, and therefore increases of productive capacity for the same cost, the value of the standard remaining fixed would tend to put additional profits in certain pockets and so set up again, in another form, the difficulty of changing value, because the production would vary with the increases of efficiency and with new inventions and things of that kind. Then Mr. Leigh, before he could get his system into operation, would have to get rid of tariffs. The United States has found a good deal of difficulty in scaling down its tariffs. I presume we shall discover in this country that it is equally easy when you set up tariff walls to increase them, and equally difficult to reduce them. When it comes to persuading a whole series of countries to give up what they regard as a relative advantage to some of their industries in order that they may come into a Customs Union of that kind, it will be found an exceedingly difficult task. Mr. Leigh has the good wishes of every one of us in the crusade he has set out upon. If he can succeed in establishing a stable form of money so that the man who provides value will receive it back again in the same way as if it were goods measured by a yard stick, he will become one of the greatest of public benefactors.

Mr. LEIGH: With regard to the point Mr. Cassleton Elliott raised about his gold-mining shares, I noticed that he said afterwards that he had shares in some other concern that was not so successful, so let us hope that the two will average out. One point made by Mr. Witty was with regard to the fluctuation in exchange value not substantially affecting internal prices. That is true for all sorts of strange reasons, one of the most important being that a great many of our principal suppliers have also followed sterling and have moved with us, but I think it certainly would not be true to say that the fall in the exchange value of the £ has not affected internal prices at all; external gold prices have fallen, and internally sterling prices have risen slightly. Now I come to Mr. Garrett's points—fixed rates of exchange and a stable level of prices. The exchanges would be fixed arbitrarily at the old gold parities or at any other rate which might be agreed upon: the important point is that when once fixed they should never be varied. If Mr. Garrett had in mind that you want to decide what the level of price should be and keep it fixed there, I am not sure that I agree with him. Nobody can determine what the proper price level should be. If you decide now that it should be so and so and say: "That is the ideal level, so let us fix it at that," you might be a very long way out. If you could give everybody in this country full purchasing power and work your factories at 100 per cent. capacity, the price level with an enormously increased production might even be lower than it is at present and yet yield a fair profit. Now, with regard to Mr. Back's suggestion that additional profits would be put into certain pockets, I would like to suggest to him that with this system, where you have an ascertainable quantity of purchasing power, where you do not suddenly have your purchasing power taken from you, nor do you have more given to you, through monetary manipulation, you could gauge pretty well what the demand in the country was for a particular product, and therefore you would not have people rushing in over-producing and making huge losses. You could keep a fairly level price, because you would know what your sales were likely to be and you would allow for your profit; any attempt to make excessive profits would soon attract competition. I think that is the answer to it, because neither cost of production nor volume of demand would be subject to the wide fluctuations which result from manipulation of the measure of value. With regard to tariffs, I think that again would not really matter. It would be of domestic importance to each nation, but it would not matter to any other nation how you chose to make up your general price level. If the State took a large share in direct or indirect taxation, then there would be so much less available for distribution between capital and labour. Exports would have to be paid for by imports: therefore if you reduced imports by tariffs you would automatically reduce your exports. Now I want to go back to Mr. Garrett for a moment. He referred to the happy state of affairs that would exist if we could get a better distribution of gold. I remember reading an excellent letter which appeared in *The Times* some time ago. The writer said: "I myself am very sceptical about this idea that France and the United States are going to send Father Christmas round with packets of gold for naughty debtor nations." I cannot myself understand how this gold is going to be distributed, except by creating more debt. The United States' position is that they need a large export trade as well as their home market if they are to keep their factories working to anything like capacity: it is no use saying to them: "You have to take more imports." They have a "favourable" balance of visible exports over visible imports. On top of that there are the war debts and the interest on the substantial sums which they have lent abroad, so that even if you could re-distribute your gold it would drift back again to the United States. Under the system I have outlined to-night, every nation would have to take payment of favourable balances, whether on visible or invisible account, in the form of goods or services. That would be the only way in which they could receive it.

Mr. A. V. HUSSEY proposed and Mr. STRACHAN seconded a vote of thanks to the Lecturer, which was heartily accorded. A similar compliment was paid to the Chairman for presiding.

The Society of Incorporated Accountants and Auditors.

Dinner in the London Guildhall.

At the invitation of the President and Council of the Society of Incorporated Accountants and Auditors, a dinner was held in the Guildhall, London (by kind permission of the Right Hon. the Lord Mayor and Corporation), on Thursday, April 14th, 1932.

The PRESIDENT, Mr. Henry Morgan, presided over a large and distinguished company, which included :—

The Lord Mayor (Sir Maurice Jenks), Lord Macmillan (Lord of Appeal in Ordinary), Viscount Leverhulme (President of the London Chamber of Commerce), Mr. E. Cassleton Elliott (Vice-President of the Society), Sir James Martin (Past President), Sir Thomas Inskip (Attorney-General), Mr. Justice McCardie, Mr. Angus N. Scott (Chairman of the London County Council), Mr. John Wallace Downie, C.M.G. (High Commissioner for Southern Rhodesia), Baron Erik Kule Palmstierna, G.C.V.O. (Swedish Minister), Mr. Justice Luxmoore, Major-Gen. Sir Granville Ryrie, K.C.M.G. (High Commissioner, Commonwealth of Australia), Admiral Sir Cyril Fuller, K.C.B. (Second Sea Lord), Mr. J. W. Beaumont Pease (Chairman, Lloyds Bank Ltd.), Mr. Justice Bennett, Lord Rochester, C.M.G. (Paymaster-General), Alderman Sir George Wyatt Truscott, Bart., Alderman Sir Stephen Killik, J.P. (President, London Students' Society), Right Hon. A. V. Alexander, Mr. A. E. Woodington (Past President), Sir Lynden Macassey, K.C., Mr. Wilfrid Greene, K.C., Mr. R. S. Dalgleish (President, Chamber of Shipping), Paymaster Rear-Admiral Sir Eldon Manisty, K.C.B., C.M.G. (Paymaster Director-General of the Navy), His Honour Sir Mordaunt Snagge, Air Vice-Marshal F. W. Bowhill, C.M.G. (Air Officer Commanding Fighting Area), Mr. H. Lancelot H. Hill (President of the Institute of Chartered Accountants), Sir Percy Mackinnon (Chairman of Lloyds), Sir Gerald Woods Wollaston, M.V.O. (Garter Principal King at Arms), Sir Arthur Michael Samuel, Bart., M.P., Alderman Sir William Coxen (President of the City Livery Club), Mr. C. J. Shiells (President of the Society of Accountants in Edinburgh), Lieut.-Colonel G. P. Vanier, D.S.O. (Secretary to the High Commissioner for Canada), Mr. Leslie de Gruyther, K.C. (Treasurer of the Middle Temple), Mr. Thomas Keens (Past President : President, London District Society), Mr. Alderman and Sheriff P. W. Greenaway, Mr. E. Van Dien (Amsterdam), Sir Francis Floud, K.C.B. (Permanent Secretary, Ministry of Labour), Major P. Ashley Cooper (Director of the Bank of England), Sir Ralph Harwood, K.C.V.O., Sir Horace Wilson, K.C.B. (Chief Industrial Adviser to the Government), The Ven. E. N. Sharpe, M.A. (Archdeacon of London), Sir Horace Hamilton, K.C.B. (Permanent Secretary, Board of Trade), Mr. C. E. Barry (Vice-President of the Law Society), Sir C. J. Howell Thomas, K.C.B. (Permanent Secretary, Ministry of Agriculture), Sir Duncan Kerly, K.C. (Chairman of the Board of Referees), Sir Ernest Gowers, K.C.B. (Chairman of the Coal Mines Re-organisation Commission), Mr. Sheriff G. H. Wilkinson, Mr. G. C. Upcott, C.B. (Comptroller and Auditor-General), Mr. F. R. E. Davis, O.B.E. (President of the Chartered Institute of Secretaries), Sir Stanley Machin, J.P. (High Sheriff of Surrey), Mr. T. Harvey Hull (Secretary to the Lord Mayor), Sir Geoffrey Clarke, C.S.I., O.B.E. (Chairman of the Council, London Chamber of Commerce), Sir William Prescott, C.B.E. (Chairman of the Metropolitan Water Board), Mr. Arthur Stiebel (Registrar, High Court of Justice), Sir Edward Crowe, K.C.M.G. (Comptroller-General of the Department of Overseas Trade), Mr. F. B. Malim, M.A. (Headmaster of Wellington), Hon. A. E. A. Napier, C.B. (Deputy Clerk of the Crown), Mr. R. M. Montgomery, K.C. (Recorder of Chester), Lieut.-Colonel J. T. C. Moore-Brabazon, M.P., Mr. J. H. N. Armstrong (Master, City of London Solicitors' Company), Mr. Fred Whittingham, C.C. (Chairman of the City Lands Committee), Mr. James Rae (Under-Secretary, The Treasury), Mr. R. K. Chappell, K.C., Dr. W. H. Coates, LL.B. (Examiner to the Society), Mr. G. R. Butterworth (President of the Institute of Municipal Treasurers and Accountants), Sir Ernest Benn, Bart., Mr. Lionel Cohen, K.C., Mr. Herbert G. Williams, M.P., Mr. R. A. Wilson (Joint General Manager, Lloyds Bank, Ltd.), Mr. C. H. Evans (representing the English-speaking Accountants in Paris), Mr. E. Roy Bird, M.P., Dr. Leslie Burgin, M.P., Mr. John Potter, M.P., Mr. J. M. Donaldson, M.C. (President of the Institution of Electrical Engineers), Mr. Adam Maitland, M.P., Rev. E. St. G. Schomberg, M.A. (Mayor of Westminster), Mr. Harold G. Judd, C.B.E., C.A. (Chairman of the Association of Scottish Chartered Accountants in London), Sir Charles Stewart, Sir Edward Harrison (Chief Inspector of Taxes), Mr. Clement Davies, K.C., M.P., Mr. Roland Burrows, K.C. (Recorder of Cambridge and Examiner to the Society), Sir George Bonner (Senior Master of the Supreme Court), Mr. Arthur Neal (President, Sheffield Chamber of Commerce), Sir Cyril Kirkpatrick (President of the Institution of Civil Engineers), Mr. T. J. O'Connor, K.C., M.P., Mr. Charles Milne, K.C., M.P. (Examiner to the Society), The Earl of Limerick, D.S.O., Mr. A. Stuart Allen, Mr. C. J. Mill, Mr. J. H. Jacob, O.B.E. (Assistant Public Trustee), Mr. R. Wilson Bartlett, J.P. (Newport, Mon. ; Member of Council), Captain G. B. Bailey, D.F.C. (Newport, Mon.), Mr. Fred Bartlett, Sir Walter Lawrence, J.P., Mr. Hartley Withers, Mr. R. J. Barrett, Paymaster-Commander H. B. Tuffill, C.B.E., R.D., R.N.R. (Clerk to the Vintners' Company), Mr. W. H. H. Carpenter, Mr. Herbert W. Pilkington (President, the Incorporated Society of Auctioneers and Landed Property Agents), Mr. Frederick Wilson (President, the Corporation of Accountants), Mr. Clement C. Gatley, D.C.L. (Examiner to the Society), Mr. G. D. Pepys, C.B.E. (Senior Official Receiver in Companies Liquidation), Mr. F. A. Barrett, C.B. (A Secretary, the Board of Inland Revenue). Mr. M. J. Faulks, M.A., Mr. W. H. Payne, (Member of Council), Mr. W. A. J. Bussey, Mr. Warwick G. Payne, Mr. S. D. Payne, Mr. J. H. Bailey, Mr. George R. Collingridge, Mr. V. J. Burtt, Mr. Donald L. Moran (President, the Institute of Cost and Works Accountants), Mr. C. V. Jarvis (President, the London Association of Accountants), Mr. J. C. Latham (Secretary, the London Association of Accountants), Mr. C. H. Falloon (President, the Chartered Insurance Institute), Sir Gilbert Garnsey, Mr. A. F. Pool, O.B.E. (Deputy Chief Inspector of Taxes), Mr. Sydney Tatchell (Vice-President, the Royal Institute of British Architects), Mr. Fred Woolley, J.P. (Member of Council ; Mayor of Southampton), Sir Albert Ball, J.P. (Nottingham), Mr. Fred A. Prior (President, Notts, Derby and Lincoln District Society), Mr. F. J. Alban, C.B.E. (Cardiff), Captain J. F. C. Bennett, Mr. G. F. Richardson (Master, the Worshipful Company of Tallow Chandlers), Mr. Deputy King Farlow, Captain R. F. Leigh, Mr. C. Roland Field (President, the Auctioneers' and Estate Agents' Institute), Mr. E. J. Webber, Mr. H. A. Mourant, Sir Herbert Robson, K.B.E. (Vice-Chairman, the Baltic), Mr. F. W. E. Morgan, Mr. P. C. Fawcett, Dr. Gerald T. Moody, Mr. E. Cornwall (Joint General Manager, National Provincial Bank), Mr. Charles E. Churchill, Mr. E. W. Ramsden, Mr. H. Llewellyn Watkins, Mr. W. Woodbridge Biggs (President, the Institute of Arbitrators), Mr. W. A. Middleton, C.B., O.B.E. (Chief Auditor and Secretary, National Insurance Audit Department), Mr. J. Stewart Seggie (Member of Council ; President, Scottish Branch), Mr. P. J. Fitzgerald, D.Sc., Mr. F. C. Wells (Senior

Assistant Comptroller, L.C.C.), Mr. Arthur Nettleton, Mr. Edward Wilshaw, J.P., Mr. Arthur Collins (Member of Council), Mr. Thomas C. J. Burgess, Mr. A. de V. Leigh, M.B.E. (Secretary, London Chamber of Commerce), Mr. R. C. G. Dale (Secretary, the Bank of England), Mr. B. A. Glanvill, Mr. S. Bayliss Smith, Mr. F. H. Elliott, Mr. Alexander Ramsay, O.B.E., M.P. (Birmingham), Mr. Ernest T. Kerr (Member of Council; President, Birmingham District Society), Colonel William Parker, D.S.O., Mr. Charles Norton, Mr. L. Gerard Norton, Rev. Herbert Williams, M.A. (Prime Warden, Worshipful Company of Basketmakers), Hon. Bernard Barrington, Mr. J. J. Wills (Comptroller of the Companies Department), Mr. G. R. Freeman, Mr. Arthur E. Watson, Mr. Francis O. Keysell (Master, Worshipful Company of Carpenters), Mr. J. Gibson Jarvie, Mr. John Hall Cooper (Dublin), Mr. A. H. Walkey (Dublin; Member of Council), Mr. R. W. Bankes, C.B.E. (Assistant Secretary, The Institute of Chartered Accountants), Mr. F. Greenwood (Registrar of Joint Stock Companies), Mr. J. C. Rea Price, Mr. J. W. Ramsbottom, M.A. (Director, The City of London College), Mr. V. I. Gaster (Education Department, Office of High Commissioner for India), Mr. Norman Crump, The Rev. H. Costley-White, D.D. (Headmaster of Westminster), Mr. H. Oliver Horne (Secretary, Trustee Savings Banks Association), Mr. O. R. Hobson, Mr. Alexander Hannah (President, Liverpool District Society), Paymaster-Captain J. Siddalls, O.B.E., Mr. E. Mackenzie Hay, Sir Basil Mayhew, Mr. John Fox, O.B.E. (Assistant Registrar of Friendly Societies), Mr. Walter P. Norton, Mr. H. W. Stovold, O.B.E. (Comptroller of the London County Council), Mr. F. W. Geary (Secretary to the Thames Conservancy), Mr. W. Sutherland Wilkinson (Chief Inspector of Audit, Ministry of Health), Mr. W. Allison Davies, O.B.E. (Preston; Member of Council); Mr. Harold M. Barton, Mr. J. H. Thorpe, O.B.E., J.P. (Recorder of Blackburn), Mr. William Cash, Hon. George Colville, M.B.E. (Secretary, The Institute of Chartered Accountants), Rev. W. P. Besley, M.V.O. (Chaplain to the Lord Mayor), Mr. G. Parker Morris, LL.B. (Town Clerk of Westminster), Mr. H. L. O. Flecker, M.A. (Headmaster of Christ's Hospital), Mr. C. H. Isdell-Carpenter, O.B.E. (Secretary, The Chartered Institute of Secretaries), Mr. Arthur Kiddy, Mr. A. E. Cutforth, C.B.E., Mr. Arthur P. Bevan (Liverpool), Mr. Daniel Williams (Inspector-General in Bankruptcy), Mr. J. Wood (Secretary, the Association of Scottish Chartered Accountants in London), Mr. W. J. Deasley (Deputy Comptroller of the City of Westminster), Mr. W. H. Stentiford, Mr. Henry J. Burgess, C.C. (Member of Council), Captain C. H. Smith, Mr. C. W. T. Fairhead, Major E. J. Burt, T.D. (Master, Worshipful Company of Paviors), Mr. Richard Keegan, Mr. Robert Bell (Belfast), Mr. J. W. Jordan, Mr. C. P. Barrowcliff (Middlesbrough), Mr. C. G. Garratt Holden, B.A. (Assistant Secretary, the Institute of Municipal Treasurers and Accountants), Mr. S. W. Alexander, Mr. Thomas Haworth, Mr. J. Scott-Moore, The Rev. H. N. Asman, M.A. (Headmaster of Owen's), Mr. Fred May (*The Tatler*), Mr. E. C. Martin, M.B.E. (County Courts Department, Lord Chancellor's Office), Mr. R. T. Warwick (Member of Council), Mr. W. C. Warwick, Mr. A. C. Hay, Mr. A. C. Alcock, Major E. S. Goulding, O.B.E. (Liverpool), Mr. W. Bertram Nelson (Hon. Secretary, Liverpool District Society), Mr. Andrew Brodie (Stoke-on-Trent), Mr. A. S. Wade, Mr. Robert Ashworth, Mr. R. V. Edwards, Mr. A. W. Jeffreys, Mr. John F. Oakes, Mr. C. M. Rottboll (Consul-General for Denmark), Mr. E. W. C. Whittaker, J.P. (Southampton, Member of Council), Mr. James Paterson (Member of Council; Secretary, Scottish Branch), Mr. J. Paterson Brodie (Hon. Secretary, N. Staffs District Society), Mr. A. W. Garrett, Mr. J. W. Daffarn, Mr. W. J. Pallot (Cardiff), Mr. Thomas Mills (Swansea), Mr. G. Brinley Bowen (Swansea), Mr. J. D. Simpson (Cardiff), Mr. Percy A. Hayes (Cardiff), Mr. Walter Haddon, Mr. F. W. Priest, Mr. P. E. T. Thomas, Mr. Wm. C. Strike, Mr. Joseph Hepworth, M.P., Mr. Albert E. Stringer (President, Bradford District Society), Mr. R. Simpson Duthie (Hon. Secretary, Cumberland and Westmorland District Society), Mr. Ernest J. Williams (Carlisle), Mr. Tudor Davies (Bridgend), Mr. G. E. S. Heybyrne (Newport, Mon.), Mr. H. J. Sier, Mr. A. Ogle, Mr. H. G. Keppel-Palmer, Mr. T. Morgan (Bradford), Mr. Stephen Bird, Mr. S. Morgan (Bradford), Mr. W. L. Wrightson (Chairman, Port of London Registration Committee), Mr. F. Bohane, Mr. Burfield G. Marchant, Mr. R. M. Branson (Leicester, Member of Council), Mr. E. V. C. Thomson, J.P. (Penang), His Worship The Mayor of Stoke Newington, Sir Herbert Ormond, Mr. Richard A. Witty (Member of Council, Examiner to the Society), Mr. Charles H. Brown, Mr. Frederick R. Witty, Mr. Arthur H. Stevens, Mr. Ian R. Brown, Mr. R. J. Tooley, Mr. Ernest C. Coleman, Mr. Alex. C. E. Brown, Mr. Eric Leach, Major S. T. Tunbridge, T.D. (Great Yarmouth), Mr. E. Tunbridge (Great Yarmouth), Mr. L. E. B. Jacob, Mr. H. T. Millman (Leicester), Mr. T. G. Bromley (Leicester), Mr. G. A. Ridgway (President, Hull District Society), Mr. C. J. H. Cowdy, Mr. Walter Macvicar, Colonel W. A. Sparrow, O.B.E. (Eastbourne), Mr. A. H. Hughes, Mr. E. G. Bennett (Montreal), Mr. James W. Allen, O.B.E., Mr. W. H. Stewart, Mr. W. A. Pearman, Mr. C. H. Pearman, Mr. J. C. Fay (Secretary, London Students' Society), Mr. J. W. J. Fay, Mr. A. R. T. Haynes, Mr. F. W. Buzzacott, Mr. E. Hecht, Mr. A. W. Welton, Mr. W. H. Bevan, Mr. A. de Jong, Mr. F. Sewell Bray, Mr. O. W. Moss, B.Sc., Mr. R. Aston, Mr. H. E. Colesworthy, Mr. Charles M. Dolby (Liverpool), Mr. Charles Tunnington (Liverpool), Mr. Frederick J. Coombes (Liverpool), Mr. L. H. Cooper, Mr. W. H. Grubb (New York), Mr. C. N. Walter, Mr. Leonard Bingham, Mr. Leslie Lewis (President, Sheffield District Society), Mr. Edmund Lund, M.B.E. (Carlisle; Member of Council), Mr. G. Roby Pridie (Vice-President, London Students' Society), Mr. Austin L. Reed, Mr. Clement J. Brewster, Mr. Halvor Piggott (Manchester), Mr. Walter Holman (Member of Council; Examiner to the Society), Mr. H. R. Leonard, Mr. J. M. Leonard, Mr. C. B. Hewitt, Mr. D. M. Butcher, Mr. A. H. Plummer, Mr. C. W. Legge (Seaford), Mr. Ewart G. Essex, Mr. S. H. Clinch, M.B.E., Mr. J. A. Kinnear (President, Irish Branch), Mr. Richard Ross, M.A., Mr. John Mackie, Mr. William Strachan, Mr. E. A. Poole, Mr. A. H. Crumpton (Hon. Secretary, Hull District Society), Mr. Alfred Wroot (Grimsby), Mr. G. F. H. Gardiner (Scarborough), Mr. William J. Holman, Mr. A. L. Henwood, Mr. Vernon Stair, Mr. W. J. Jackson, Mr. E. Wickham Jones, M.C., Mr. Raymond D. Poland, Mr. C. B. Henning, Mr. John Allcock, O.B.E. (President, South Wales and Monmouthshire District Society), Mr. Francis C. Bertalot, Mr. Harold J. Allcock, B.Sc., Mr. John D. Thompson (President, Belfast District Society), Mr. Arthur Cleveland, Mr. W. Norman Bubb (Examiner to the Society), Mr. Fredk. G. Jenkins, Mr. D. F. Middlemiss, Mr. George H. Lawrence, Mr. A. R. Besant, Mr. J. Ellis Gammage, Mr. T. L. Plewman (Bedford), Mr. Lawrence Jordan (Bedford), Dr. Ivan Tchaperoff, Mr. Gordon Gambles, Mr. William Tate (President, Yorkshire District Society), Mr. Percy H. Walker (Hon. Secretary, South Wales and Monmouthshire District Society), Mr. B. B. Franklin (Luton), Mr. A. J. Walters (Aylesbury), Mr. Philip F. Keens (Luton), Mr. A. J. Powdrill (Luton), Mr. J. Shimell Hann, Mr. W. M. Mitchell, M.A., Mr. C. W. Gardner, Mr. C. V. Best, Mr. J. J. Stark, Mrs. M. M. Best, Mr. H. N. Lewis, Mr. Edward Ewart Pearce (Cardiff), Mr. Dudley E. Gibbs, Mr. Donald H. Bates, J.P. (President, North Staffordshire District Society), Mr. W. H. Charles (President, Swansea and South-West Wales District Society), Mr. F. Holliday (Leeds; Member of Council), Mr. F. Ljungberg, Mr. A. J. H. Shay, Mr. Charles L. Nordon, LL.B., Mr. W. E. Holland, Mr. E. J. Waldron (Southampton), Mr. B. Gibson (Norwich), Mr. Donald V. Hayden (Hon. Secretary, East Anglian District Society), Mr. F. T. Alpe, LL.B. (Norwich), Mr. H. A. R. J. Wilson, Mr. H. M. Fleming, Mr. W. M. Jacobs, Mr. J. T. Brown, Mr. Joseph Turner (President, Manchester District Society), Mr. Arthur E. Piggott (Member of Council; Hon. Sec., Manchester District Society), Mr. Nathaniel Duxbury (Blackburn), Captain A. C. N. Dixey, M.P., Mr. Godfrey Craven (Manchester), Mr. Harry Sharp (Manchester), Mr. William Nicholson, C.C., Mr. Thomas Taylor, Mr. A. T. Keens, Mr. T. E. Hawkins (Worthing),

Mr. C. A. Holliday, Mr. E. George Bourne, Mr. F. E. Clements, Mr. Henry J. Butcher, Mr. L. A. Clemence, Mr. H. Harper Smith, J.P. (Norwich; President, East Anglian District Society), Mr. R. Duncan French (Liverpool), Mr. Norman E. Lamb (Newport, Mon.), Mr. David Sirkin (Leicester), Mr. A. Lester Boddington, Mr. M. H. Groves (West Hartlepool), Miss Phyllis E. M. Ridgway, B.A. (Hull), Miss Vera Snelling, Miss Florence Nightingale, M.A., Miss Phyllis Edwards, Mr. Thomas Edwards, Mr. Arthur W. Watson (Birmingham), Mr. William Clemens, Mr. W. T. Wright, Mr. A. G. Wright, Mr. James Baird (Belfast), Mr. Percy Toothill (Sheffield; Member of Council), Mr. Louis Hyman (Sheffield), Mr. Albert Fowler (Sheffield), Mr. William Paynter (Member of Council), Mr. Arthur Pragnell, J.P., C.C., Mr. John Paynter, J.P., Mr. S. Grave Morris, Mr. John H. Croydon, Mr. Frederick H. Miller, Mr. R. A. Wetherall (Swansea), Mr. A. W. L. Sleeman (Swansea), Mr. W. G. Lithgow (Southport), Mr. Peter G. S. Ritchie (Glasgow), Mr. Frederick G. L. Moore (Norwich), Mr. W. H. Stalker (President, Newcastle-on-Tyne District Society), Mr. T. O. Morgan (Hon. Sec., Swansea and South West Wales District Society), Mr. John Telfer (Hon. Secretary, Newcastle-on-Tyne District Society), Dr. George Wilson, Mr. Harold F. S. Corker (Sheffield), Mr. Arthur F. Sharp, Mr. Jenkyn Griffiths, Mr. Frank N. Clarke (Brighton), Mr. A. E. Webster, Mr. Owen Stallwood, Mr. William E. A. Norman, Mr. Moreton H. Riches, Mr. Owen Avison (Huddersfield), Mr. Sydney H. Shaw (Huddersfield), Mr. Harold D. Podmore (Sutton Coldfield), Mr. D. E. Campbell (Wolverhampton: Member of Council), Mr. Ernest T. Brown (Wolverhampton), Mr. W. A. Mumford (Birmingham), Mr. James Poole, Mr. A. P. Cork, Mr. Oliver A. Hibbert, Mr. Harold Jacques (Bradford), Mr. D. F. Campbell, Mr. E. J. Goldsmith, Mr. L. H. Graves, Mr. C. Kingsley Dent, Mr. A. Page, Mr. H. S. Bull (Plymouth), Mr. Guy W. Elleman (Ohio, U.S.A.), Mr. N. C. Cole, Mr. G. W. Sparrow (President, Leicester District Society), Mr. W. T. Manning, M.C. (Hon. Secretary, Leicester District Society), Mr. F. A. Webber (Hon. Secretary, West of England District Society), Mr. Sidney Foster (Bristol), Mr. Hugh O. Johnson (Bath), Mr. Herbert Kingston, Mr. R. T. Hargreaves, Mr. G. Alan Smith, Mr. R. Miles Honeybone, Mr. M. Widdowson, Mr. Walter P. Rocke, Mr. R. M. Simpson, Mr. R. E. Johnson, Mr. A. J. Palmer (Fareham), Mr. R. H. Kneen (Portsmouth), Mr. John James, Mr. A. V. Hussey, Mr. E. Ransom Harrison (Sheffield), Mr. Joseph Booker (Sheffield), Mr. John E. Oldham (Newark), Mr. Edgar W. Williams (Newport, Mon.), Mr. W. H. Grainger, Mr. E. Miles Taylor, Mr. P. Alban Spooner, Mr. N. L. Mackness, Mr. A. E. Mullis, Mr. F. L. Griggs, Captain W. J. Griggs, M.C., Mr. Henry I. W. James, Mr. G. F. Tite (Portsmouth), Mr. Reginald Gregg (Manchester), Mr. J. Hamilton Jones, Mr. T. H. Griffiths, Mr. Tom Cox, Mr. Francis L. Cooke, Mr. A. J. Scott, Mr. B. L. Clarke-Lens, Mr. A. C. Davis, Mr. N. M. Clarke-Lens, Mr. Percy George Jones, Mr. Arthur C. Jewell, Mr. Eric Portlock, Mr. C. S. Willmott, Mr. P. H. Goodwin, Mr. John J. Middleton, Mr. Stanley F. Stephens, Mr. Albert E. Hine, Mr. Stanley G. T. Stephens, Mr. Ernest Blackmore, Mr. Harry C. King (Eastbourne), Mr. G. Frederick Attwood (Reading), Mr. Arthur E. Turner (Reading), Mr. A. H. J. Heard, Mr. James O. Claxton (Sheffield), Mr. W. J. Crafter, Mr. L. G. Locket, Mr. A. L. Williams, Mr. H. W. Payne, Mr. J. J. Hawkins, Mr. John F. Berry, Mr. M. H. Moody, Mr. H. G. Clarke, Mr. W. E. Fitzhugh, B. Com., Mr. F. R. Tillett, Mr. Victor H. M. Bayley, Mr. Charles E. Perry, Mr. Gerald O. Parsons, Mr. Bernard Bubb, B.Com., Mr. Herbert V. Lee, O.B.E., Mr. R. N. L. Caws, Mr. W. J. H. Jupp, Mr. Edward Brabazon, Mr. Arthur M. White (Newcastle-on-Tyne), Mr. H. L. P. Smith, Mr. Ernest Edward Osmond, Mr. Edmund H. Hayes, Mr. Frederick Neal, Mr. Sydney Howard Robb, Mr. W. E. Marsh, Major Rupert N. Barnett, T.D., Mr. Henry Lesser, LL.B., Mr. V. S. Wright, Mr. Maurice Thompson, Mr. M. E. Askwith, Mr. Ross Hindle, Mr. Hugh R. V. Musselwhite, Mr. Percy Jones, Mr. L. Hamilton Chapman, Mr. P. E. Farr, Mr. H. Rose, Mr. G. Forster, Mr. D. Mahony, Mr. W. J. Freeman, Mr. Thomas Holt Soul, Mr. Ralph Sutton, Mr. Andrew Williams, Major Seaborn Marks, O.B.E., Mr. Henry E. White, Mr. Harold C. Wright, Mr. J. Stirling Brown (Secretary, the Corporation of Accountants), Mr. A. Anderson, Mr. T. H. Nicholson, Mr. W. J. Back, Mr. Raymond P. Spanton (Bury St. Edmunds), Mr. Thomas M. Ashton (Bury St. Edmunds), Mr. W. D. Oldershaw, Mr. C. E. Wakeling, Mr. W. D. Menzies, Mr. Ernest Wilcock, Mr. John Cryer, Mr. A. H. Watkins, Mr. C. A. G. Hewson, Mr. J. T. Warburton, Mr. Percy E. Slack, Mr. S. A. Stanton, Mr. R. W. Stanton, B.Sc., Mr. Herbert M. James (Coventry), Mr. Herbert Hayward (Coventry), Mr. S. G. Moss, Mr. W. M. Barnard, Mr. Stanley W. Simpson, Mr. Leslie H. T. Plackett, Mr. H. S. Watts, Mr. Harold Howarth (Lancaster), Mr. J. R. W. Alexander, M.A., LL.B., Mr. E. E. Edwards, B.A., LL.B. (Parliamentary Secretary), and Mr. A. A. Garrett, M.A. (Secretary).

The PRESIDENT submitted the loyal toasts, which were received with the customary enthusiasm.

"The Lord Mayor and Corporation of London."

Sir JAMES MARTIN (Past President) rose amid cheers and said that the President had conferred upon him the privilege, which he highly valued, of proposing the toast of "The Lord Mayor and Corporation of London." If he were asked his qualifications for submitting this toast he thought he would reply that 48 years ago he came into the Guildhall and entered the Chamberlain's office, and there claimed his Freedom by right of patrimony. (Cheers.) His claim was duly allowed and he was admitted to the citizenship of no mean City. (Hear, hear.) He was imbued with City traditions and he held that the Lord Mayor and Corporation, with an almost unbroken history of 800 years, had an accepted position, not only in London but in the public life of the nation. (Hear, hear.) When he was a young man there was some controversy as to the position of the Corporation, which was termed "the unreformed Corporation," but that had passed away and every Government in succession thanked the Almighty that there was still left one representative Authority in the country able to receive and entertain the nation's guests without asking for a vote of the House of Commons or the assent of a meeting of ratepayers. (Laughter.) That position, which had been maintained under modern conditions, was largely due to the able and careful administration of what was termed "the City's Cash," and in this important trust he was sure that the Corporation would acknowledge the great assistance received from members of the Court of Common Council who, like the Lord Mayor himself, belonged to the accountancy profession. He (Sir James) was bound to say in this connection that the Corporation had not been altogether ungrateful, because he believed that the Corporation employed and paid more professional auditors than any other municipality in the country. (Laughter.) That, to his mind, was an additional reason for honouring the toast in an assembly such as that in which they were gathered. He had referred to the position of the Corporation under modern conditions, but there was one matter which, not for the first time, he would commend to the careful consideration of the Courts of Aldermen and Common Council—he alluded to the continuous loss of municipal voters by the annual increase in the number of limited liability companies. That affected every centre of commerce and industry

in Great Britain. Buildings costing hundreds of thousands of pounds, housing immense staffs, making very heavy contributions to the rates, might have no existence so far as the municipal register was concerned because their ownership was vested in limited companies. It had also the unfortunate effect of depriving the municipalities of the services of a class of competent men who at one time were free to serve the electors. He would not on that occasion develop the matter further, as it was one which he hoped would again come under the review of his noble friend, Lord Leverhulme, as President of the London Chamber of Commerce, as well as under the consideration of the Lord Mayor and the Courts over which he so ably presided. The toast of the Lord Mayor and Corporation included the Court of Aldermen, and he (Sir James) hoped he might be allowed to say how much the hosts that night appreciated the attendance of the senior member of that Court, Sir George Wyatt Truscott, who was the trusted confidant and friend of so many of those present. (Hear, hear.) The toast also included the two Sheriffs, whose office was of great antiquity, and he took the opportunity of pointing out the able services rendered by Mr. Alderman and Sheriff Greenaway and Mr. Sheriff Wilkinson. Sir James then congratulated the Lord Mayor and the Lady Mayoress upon the happy event which had taken place in St. Paul's Cathedral on the previous Saturday, to the great delight and interest of so many thousands of Londoners who had flocked to every point of vantage. (Cheers.) The Lord Mayor and himself were old friends, and he was indeed glad that it had come to his lot to propose such a toast in that historic Hall. Sir Maurice Jenks had reached his great office by stages of earnest endeavour. He had rendered long and valuable services to the citizens and his unanimous choice by the Livery and Court of Aldermen to the office of Lord Mayor was a source of gratification and satisfaction to the City. In conclusion, he wished the Lord Mayor continued health and strength in the discharge of his important duties, and in proposing the toast of "The Right Hon. the Lord Mayor and the Corporation of London" he took the opportunity of thanking them for so kindly granting the use of the Guildhall on that occasion. (Cheers.)

The LORD MAYOR, who was cordially received, said that in spite of being an Accountant he was human enough to acknowledge when he found himself called upon to respond to the Civic toast, wherever it was and under whatever circumstances, that he always felt it to be a case of pride and satisfaction; and when, as to-night, it was proposed in the Guildhall itself on behalf of a large and distinguished company such as were gathered there, most of whom were members of the profession to which he himself belonged, he confessed that that very human emotion took rather a special form. It was moreover a special pleasure to him that it had been entrusted to his old friend, Sir James Martin. Sir James had been telling them of the part he played in connection with his civic career. Being himself a leading ratepayer in the Ward of Cheap, Sir James encouraged him to stand for the Court of Common Council and himself undertook the responsibility of proposing him to the Wardmote; and later, when a vacancy occurred for an Aldermanic position, Sir James again stood sponsor to him and presented him to the Court of Aldermen with such eloquence that it entirely removed any doubt they might have entertained with regard to his qualifications, and throughout Sir James had never lost an opportunity of supporting him. Now, he need hardly say that it gave him special satisfaction as the head of the Corporation for the time being to welcome to the Guildhall the members of a highly important Society of professional accountants. The profession was growing in importance every year, and this year it would be taking an outstanding part in municipal government. He was sure they were all proud to hear that the new Chairman of the London County Council, Mr. Angus Scott, who was present with them that night, was an Accountant. (Cheers.) He did not think he need remind them also that the Lord Provosts of Glasgow and Edinburgh and the Lord Mayors of Lancaster and Newcastle—and he believed of one other City but he could not, for the moment, remember it—were also members of their profession. And he would like to emphasise that out of the 206 members of the Court of Common Council a very substantial proportion were members of the Accountancy profession, and the Court of Common Council had learned to appreciate their value so that whenever an opportunity occurred they imposed upon them the responsibilities of Chairmen of Committees. (Hear, hear.) Sir James Martin had referred to the influence and the importance of the "City Cash" in the important direction of entertaining distinguished foreign visitors or people who had achieved distinction in our own country or in our own Empire. He agreed with Sir James that it was one of the greatest privileges that the Corporation of the City of London enjoyed—to be able to entertain in the manner referred to. It was obvious that the Committee which had charge of the administration of cash was one of the most important committees of the whole Corporation, and for many years past now the Chairman of that Committee had been a member of the Accountancy profession. It was not for him (the Lord Mayor) to-night to sing the praises of the Society of Incorporated Accountants—that would be done by the learned Attorney-General, and he would not wonder if Mr. Justice McCardie would have something to say about it. But with regard to the work of the Corporation, he could only say that the citizens of London were never better served than they were at the present time by the gentlemen composing the Court of Common Council and by the two gentlemen who were discharging the high and dignified office of Sheriff. Each man realised and carried out his duties free from any influence of selfishness and without being hampered by having to vote according to a Party ticket. In that respect he believed they differed from most of the municipal corporations throughout the Kingdom. The members of the Corporation were free to vote according to their judgment on all matters that came before them.

With those few words he would like to thank Sir James Martin for the splendid tribute he had paid to the Corporation in proposing the toast. They all knew pretty well, and it was delightful to hear it from Sir James's lips, that it was 48 years ago when he entered the Guildhall to receive the Freedom of the City. (Cheers.) He was sure they would all agree with him that Sir James had served the City faithfully, and he would like to congratulate the Council and the Society of Incorporated Accountants on the splendid services Sir James had rendered to their Society for very many years past. (Renewed cheers.)

"Industry and Commerce."

LORD MACMILLAN, Lord of Appeal in Ordinary, in submitting the next toast, said he hastened to allay a certain consternation which he observed on the faces of his neighbours as he rose to speak; he could assure them that he had no intention that night of regaling them with any of the brighter passages of the Macmillan Report. (Laughter.) Nor did he intend to engage in any airy badinage with his friend Sir Gilbert Garnsey, on the crossword puzzles of the income tax. (Laughter.) There were some subjects which no gentleman ought to mention after dinner. It was his good fortune to have a much more inspiring theme—the toast of "Industry and Commerce." He said "inspiring" advisedly, for he was not one of those who would associate the word "depressing" with industry and commerce. (Hear, hear.) For that encouraging view he thought he might quote a certain eminent Scotsman not unknown in the world of political economy—he referred to Adam Smith. When one of the pessimists of his day came to see him when he was dying and deplored that the country was going to the dogs, that it was about to be ruined, the aged economist remarked: "My dear young man, there is a good deal of ruin in the country." (Laughter.) Personally, as he had said, he approached the theme as an inspiring one. They ought to remember on an occasion like this the things that had been accomplished and achieved rather than the things that had failed. Let them remember that never were the gifts of nature more bountiful and generous than they were just now; never was human attainment, human science and technique, more efficient to utilise those resources than they were at present. And if commerce and industry at the moment were not enjoying that measure of prosperity which was their due, it was not because the world was poor, nor because man had lost his ability and his capacity: it was because somehow or other the machinery of administration had unhappily jammed. That was an eminently consoling thought. If the world were any poorer off, then indeed they might deplore the condition of commerce, but when they knew that what was wrong was only a matter of adjustment of mechanism, and that was something within their own capacity if they addressed themselves to it, they need have no fear because they could put the machine right again. The most hopeful thought, therefore, that they could cherish at the moment was that the depression through which they were passing was only a phase in the evolution which would bring greater prosperity in the future. (Cheers.) He would like to draw attention to one or two facts. They had heard on the very best authority that within only seven years of the Great War, which destroyed so much, the production of the world was only 18 per cent. less than formerly. Amazing evidence of the powers of recuperation of the human race was thus furnished. Within a decade of the war the measure of prosperity and the standard of living were higher than in 1913. Let them remember those things when they were apt to be depressed about commerce and industry. It was a most hopeful feature, and they knew that the cure for the present depression was in their own hands. (Hear, hear.) Now, just a word about the two professions which were present that night in their relation to commerce and industry. Neither Accountancy nor the Law were productive professions, but they were analytical. They were professions that provided, as commerce and industry would be the first to recognise, the framework within which alone commerce and industry could prosper. The accountancy profession had grown to be one of the greatest, one of the most skilled and one of the most useful contributors to national welfare. It was a long time and the profession had travelled a long way since Brougham said that the title of accountant was assumed by persons who were unable to give an account of themselves. The accountant nowadays was able to give an excellent account of himself and an account of a good many other people as well. (Laughter.) Without the aid of the accountant, who attended at the birth, who fostered at the maturity and very often was called in at the demise of an industrial undertaking, where would industry be? The accountant in his capacity of an accountant or auditor attended upon all the phases of industry—not without suitable remuneration but with a remuneration that was well earned. (Hear, hear.) It might be interesting to some of those present to be reminded of what Sir Walter Scott said of the accountancy profession—and they all had Sir Walter Scott in mind in this centenary year. He was considering the question whether his nephew should enter that profession and, writing to his brother he said this: "If your boy is steady, cautious, fond of a sedentary life and quiet pursuits and at the same time a proficient in arithmetic and with a disposition towards the prosecution of its highest branches, he cannot follow a better line than that of an accountant. It is highly respectable and is one in which, with attention and skill, aided by such opportunities as I may be able to secure for him, he must ultimately succeed. I say ultimately, because the harvest is small and the labourers numerous in this as in other branches of our legal practice; and whoever is to dedicate himself to them must look for a long and laborious tract of attention ere he reaches the reward of his labours." Sir Walter was very happy in his description of the qualifications required for the accountancy profession. (Hear, hear.) Another great writer, to whom all after-dinner speakers owed a debt beyond their reckoning—Dr. Samuel Johnson—said this about them in answer

to his friend Boswell: "That, sir, is the good of counting. It brings everything to a certainty which before floated in the mind indefinite." It was the accountant's function to assist commerce and industry as a handmaid, and he was sure that commerce and industry would be the first to pay tribute to the great services they had rendered, because her business had become more and more complicated and the assistance of the professional accountant had become absolutely indispensable. (Hear, hear.) Then what about the Law? He was sure that commerce would agree that if it were not for the maintenance of law and order no commerce or industry could be pursued. The law, rightly conceived, was a science of human relationships, and the particular relation of the trader to his customer was one to which the Law had paid special attention. The Common Law of England had been developed largely in association with the commercial development of the country. He was proud to think that the name of a fellow countryman of his own, Lord Mansfield, was associated with the development of that great commercial system of law in that country which had provided the framework within which commerce might prosper, and had attracted from abroad many who preferred the English system of jurisprudence to that of other countries. And how did he work that out? By taking the City of London into his confidence. He consulted the merchants of London upon all the questions of commerce, and through that association between law and commerce there sprang a great system of commercial law which had been the admiration of the world and which had served them so well. (Cheers.) But there was, of course, this to be said. The law must keep its place. He said, in the presence of more than one legislator there, that there was a distinct distance between intervention and interference. Some of them were apt to think that in these days the legislative side of law had been perhaps a little too active. (Hear, hear.) He was interested to find the other day that in the twelve years from 1919 to 1930 no fewer than 732 Acts of Parliament had been passed and their contents filled 8,406 pages. (Laughter.) The law said that every person was presumed to know the law. In another place and in another capacity he would announce that with due solemnity—(laughter)—but he must be a very good citizen indeed who would know 732 Acts of Parliament filling 8,406 pages. (Renewed laughter.) We were not quite so good, or so bad, in that respect as the United States of America for he was told that in five years there they passed 62,000 Statutes. True, they did not pay quite so much attention to them as people did here—(laughter)—still, they passed them. But, in all seriousness, that phenomenon presented one of the most difficult problems of statesmen in the present day. We had reached a stage in which it was necessary if we were to attain to fresh orientations of business, to have a certain amount of considered management. The haphazard methods of allowing things to grow up and develop as they pleased was a characteristic of an earlier stage, and there came a period later of reflection and consideration. He ventured to think we had reached that stage now. The most difficult problem of statesmanship in the present day was to know exactly where to draw the line between that degree of legislation, that degree of assistance, which could be given by the law to industry and commerce and the stage when it ceased to be an assistance and became an obstacle. Like all frontier questions, there was debatable ground as between what was useful and what was harmful. (Hear, hear.) While Parliament and the law could undoubtedly assist in the restoration of confidence, the great problem of statesmanship was to know when to draw the line, when to allow the initiators of industry and commerce to have their own full swing, uncurbed and untrammelled by unnecessary legal restrictions. That was the problem of to-day. The law had an important part to play, not only in providing all the mechanism of the relationships of commerce, but also in assisting the process of recovery. These were intensely interesting topics, difficult topics, but they concerned everyone in the present day. He wished that practical people could get a little more guidance as to what they should do in the midst of the problems of to-day. On the one hand a man was told that he must save every penny that he could in order that he might invest more abroad, and having noted that in his notebook he was at once confronted by another economist who said that every shilling he saved was helping to keep a man out of employment. Then he said to himself, "I must be wrong about that other one; I must read another political economist." He did so and he found that the third one said that the one thing wrong now was that prices were too low, and yet his wife came home and said, "This is perfectly splendid. I got a hat to-day for a guinea which would have cost me two guineas a short time ago." (Laughter.) What was the man in the street to make of it all? He was told that the costs of production must be reduced, and then he was told: "You must not touch wages." All these were problems that confronted the man in the street and the poor fellow turned to the political economist or the politician for guidance, which he did not always get with any clarity of vision. The fact of the matter was that the difficulties were extraordinarily complex and he did not think that anyone was capable of giving a complete answer. The truth was that we would have to return to those primitive and simple virtues which were quite easily understood. One of the most striking things that had happened in the commercial history of this country was that two or three pages at the end of Lloyds Bank monthly publication had been contributed by an Archdeacon who had recalled us to the simpler canons of honesty and hard work. The fact that those simpler virtues were being recognised now-a-days was worth a ton of clever political economy. (Hear, hear.) If he had ventured to be serious on this occasion it was only because the great compliment had been paid him of being asked to speak about matters affecting the welfare of this country and the good of commerce. It was his good fortune to be able to associate this toast with Lord Leverhulme, himself one of the captains of industry, one of the leaders of enterprise,

who had done much to maintain the standards of British commerce. (Hear, hear.) Lord Leverhulme would not resent it if he said that they had all read in *The Times* that morning the report of the great company in which he was interested with peculiar satisfaction. He thought it was the great mechanical genius, Archimedes, the father of mechanical science, who said : " If you give me a lever I can move anything." (Laughter.) That was a great principle of mechanics. He (Lord Macmillan) was quite sure it was a great principle of commerce. Perhaps no person had done more to keep industry and commerce clean than Lord Leverhulme. (Laughter.) What nobler aspiration could any man of business have than to introduce sunlight into every home ? (Renewed laughter.) The toast which he had now to give them, and he did so with a full measure of inspiration and encouragement and optimism, was the toast of " Industry and Commerce," coupled with the name of Lord Leverhulme, President of the London Chamber of Commerce. (Cheers.)

VISCOUNT LEVERHULME, responding to the toast, said he regarded it not only as a great personal privilege but also as a great compliment to the London Chamber of Commerce that he should have been asked to undertake that duty. He had been wondering why he was singled out for that honour, but towards the end of his speech Lord Macmillan gave him the clue, and he concluded that it was because cleanliness came next to godliness. (Laughter.) Lord Macmillan had been kind enough to allude to the reference in that morning's paper to the balance sheet of a certain company in which, he concluded, he himself was a shareholder. (Laughter.) Let him get that matter right out of the way at once by telling them that one of the main reasons for the condition of that balance sheet was that so many of their directors had been recruited from the professions of accountancy and law. (Hear, hear.) Nearly everyone present that night was directly or indirectly connected with industry and commerce. Many of them were doing their best to conduct their businesses as successfully as circumstances permitted, but the vast majority were concerned with seeing that they did it honestly. (Laughter.) Others, like the proposer of the toast, were prepared to deal with them if they did not do it honestly. (Renewed laughter.) Business was very often described as a game. To-night they were in a field where the number of referees vastly exceeded the number of players. As a rule the proportion of players to referees was something like 22 to 1, but to-night the position must be reversed and there must be at least 22 auditors present for every man directly connected with industry and commerce. He believed there was a play at present running at one of the London theatres, the opening scene of which was laid in the Maze at Hampton Court. If someone were to try to make that toast the scene of a drama instead of a speech, he might very fittingly place the opening scene in the same spot. Industry and commerce were in a maze, and the more they read of what economists had to say, as Lord Macmillan had pointed out, the more perplexing they seemed to become. Things did not seem to happen as they ought to happen. As a result of going off the gold standard one would have expected prices to have risen, but, comparatively speaking, they had not ; one would have expected exports to go up, but the returns for the first three months of this year showed a decrease in exports of some 10 per cent. And so whatever passage they turned down they seemed either to come to a dead end or to get back to the spot from which they started. But in casting about for a clue as to how to find the way out, it seemed to him that a useful one was given to them by the Committee over which the proposer of the toast recently presided, because that Committee laid such great emphasis on the problem of currency and monetary affairs. One dared not guess what the historians of the future would say about the present period, but he thought perhaps they would say with astonishment that whereas science had advanced so remarkably in many directions and had discovered methods of measuring all the phenomena of nature to infinitesimal degrees of accuracy, they had failed to discover a standard of values by which different kinds of goods could be compared with each other, which had resulted in debts, incurred twelve or fifteen years ago, requiring to-day the production of two or three times the quantity of goods in order to repay those debts. Was it too much to hope that the economic scientists would be able to solve that problem for them as the physical scientists had solved their problem ? (Hear, hear.) The toast could not have been proposed by a more fitting speaker than Lord Macmillan. If he was highly qualified to propose it, he (Lord Leverhulme) hoped they were all equally qualified to drink it, if for no other reason than that they had paid their income tax—(laughter)—and not only paid it but paid it more promptly and more readily than ever before. He did not think he need emphasise before such an audience as that that such an effort could not be repeated indefinitely. (Hear, hear.) There was the case of a Scottish manufacturer who sent his son to study economics at a foreign University. Before the son left home the father impressed on him the need of living economically, and told him that he must work hard and that if he did not write long letters home he would understand it ; in fact, he would quite understand it if he only sent telegrams if he were in urgent need of any message from home. " But," he said, " be sure to make the telegrams as brief as possible, because I hate to see money thrown away on long telegrams." About a month after the son had left home the father received a telegram of only ten letters :—" S.O.S., L.S.D., R.S.V.P." The father sent a cheque for £50 in reply. That went on upon several occasions, and at last the father thought he must put a stop to it, so he wrote a very firm letter to his son pointing out that he really must learn to live within his income, that he would not give him any more money, and that he must learn the practical lesson himself. The son wrote back to say that he was surprised at his father's letter, but he now understood what the professor of economics had said that morning when he pointed out that the capitalist

system had broken down. (Laughter.) He hoped it would not be reported that, as President of the London Chamber of Commerce, he was unmindful of the heroic efforts the Government was making to improve the position of trade and industry. We could not escape by isolating ourselves after we had caught a disease. But there was one attribute which we still possessed and that was the spirit of leadership. This was the day of round table conferences, but however round the table might be there was always someone who took the initiative and rose as leader, and we could feel certain that this country would do that in the future as in the past. They heard a lot about the leadership that used to be displayed in Queen Victoria's days, and they were apt to think that the inferiority complex and pessimism and gloom were peculiar to these times. But they had only to look to the past and see that there were cases of pessimism and inferiority complex even then. If anyone was tempted to-day to say that in industry, commerce and agriculture there was no hope, let him recall that those were the precise words that Disraeli spoke in 1849. If there was any young man present who was uncertain as to how to plan his future, let him recall that at the beginning of last century William Wilberforce declared that he dared not get married because the future was so dark and unsettled. Yet the darkness lifted and he did get married. If ever they were tempted to think that nothing could save the British Empire from shipwreck, let them take courage from the fact that those were the exact words that the Lord Chancellor used in 1868. It was therefore in a spirit of optimism rather than pessimism, that he responded to the toast which Lord Macmillan had so eloquently proposed. (Cheers.)

"The Society of Incorporated Accountants and Auditors."

Sir THOMAS INSKIP, K.C., M.P., Attorney-General, said that no doubt those present shared the mild surprise which he felt at having been selected to propose the toast of "The Society of Incorporated Accountants and Auditors," which had been described to him as the toast of the evening. He felt no attraction for figures—at any rate, not for the figures that interested those present. (Laughter.) Balance sheets were a closed book to him. He had never discovered any intelligence or principle which decided upon which side of the page an asset, or what appeared to be an asset, should be placed. (Laughter.) It was quite true he had always admired the ingenuity that was able to produce precisely the right figure down to the last halfpenny that would make the two sides balance, but beyond that appreciation of the skill of the accountancy profession he was afraid he had no appreciation of the merits of the art that they practised. But if he had been selected as one who was dazzled by a sense of the knowledge that was necessary to procure an entrance into the Society he had that qualification, for he had read with admiration and wonder the treatise which it was necessary for the neophite to qualify himself in before he was admitted to the Final examination. (Laughter.) He was informed that the object of the Society, founded nearly 50 years ago, was to elevate the status of the profession. It was quite true that as a sort of afterthought the founders appeared to have added also another object—to advance the interests of the profession—(laughter)—but for nearly 50 years the Society had practised with success and had been engaged in the tasks he had mentioned. A membership of between 5,000 and 6,000 indicated the success and the esteem which the Society had achieved. It was a commonplace to speak of the indispensability of auditors. There had been at least two great factors in establishing the pre-eminence of the accountancy profession in modern commerce; the Companies Act and the Income Tax Acts were sufficient in themselves to justify their existence. (Laughter.) The profession of accountancy was indeed the lynchpin of those two vehicles, and without that profession they would be incapable of movement. He observed that within a few days, by way of ushering in the month of May, the examinees would be required to begin their test by passing papers on the Income Tax Acts. It was indeed fortunate that there were people who understood the Income Tax Acts, and he could congratulate Lord Macmillan upon having, if he desired any assistance, so many gentlemen prepared to tell him how he should write his report when he came to inform the Government as to what the nature of the next Income Tax Act should be. (Laughter.) The Companies Acts were the other feature which engaged their particular attention; and it was upon that subject he would take that opportunity of making one or two observations. From time to time, even in the short period of his occupation of the office he had now the honour to hold, he had been invited to direct his attention to the activities of certain people who had used or misused the Companies Acts and manipulated companies to their own profit and to other people's loss. He had been invited to consider whether fresh legislation was not necessary to circumscribe their activities. But he ventured to think, as Lord Macmillan had pointed out, that the mere multiplication of enactments was not the proper remedy for such evils as existed. The complexity of the subject covered by the Income Tax Acts had been largely due to the fact that year by year by successive Acts of Parliament efforts had been made to fill up the gaps and to stop the leaks which had been found. It was only a year or so ago since the last Companies Act was passed. Whatever mistakes might have been made in that Act, whatever shortcomings there might have been in the deliberations of Parliament, a much better remedy for any evils which anybody might have detected in the law, was the practical application of the motto which, he observed, had been adopted by their Society—*Fides atque integritas*. That was a much better remedy than the manipulation of legislation by Parliament. A high standard of honour and of candour was the proper remedy for those matters. He was aware that the mention of the word "candour" raised difficult questions with which every auditor of public companies was familiar. It was a word which raised a host of disquieting questions. And yet hidden reserves might be the only method

by which the acquisitiveness of shareholders could be avoided and competition defeated. He ventured to think that their great profession had an unrivalled opportunity at the present time of not merely retaining but of increasing its high reputation in the City of London if they could consistently with their duties see that the public and the shareholders were supplied with proper information in the published accounts and balance sheets of great industrial companies, while at the same time giving to the directors and managers of the companies the assistance to which they were entitled in the management of those great concerns. (Hear, hear.) The Society had attained a very high standard of honour and efficiency. It was holding an increasingly responsible position in the City of London and in the great centres of industry, and that being the case it was necessary that men of eminence and skill and great experience should have the management and control of the Society. They had one such man in the present President, Mr. Henry Morgan, whose name he had the honour to couple with that toast. (Cheers.)

The PRESIDENT, Mr. Henry Morgan, F.S.A.A., replying to the toast, said it was particularly pleasing to his fellow members and to himself that the toast of "The Society of Incorporated Accountants and Auditors" should have been proposed—and proposed so eloquently and appropriately—by the Leader of the English Bar, who represented the senior branch of a profession with which the accountancy profession was so frequently and so closely associated. (Cheers.) Apart from his representative capacity, however, Sir Thomas Inskip was welcomed as one whose career was an example to those endeavouring to observe the highest traditions of the professional man. Eminent in the law, he had served the State and the people and had been closely identified with divers forms of social work, thus demonstrating that whilst certain rights were conferred upon the professional man, there were corresponding obligations, and one of those was to devote some of his time to the advancement of causes outside his everyday work. They thanked Sir Thomas for the graceful manner in which he had proposed the toast to which it was his (the President's) privilege to respond. It was fortunate it had been decided to hold the dinner at the present time instead of towards the end of last year, because they met under happier and less anxious conditions than would have been the case a few months ago. Since November, appreciable progress had been made in re-establishing our currency and our financial position, which were so severely shaken six or seven months ago. Steps had been taken which would assist materially in removing the industrial and commercial depression from which we had suffered so severely for so long. The fear of an unbalanced Budget had disappeared and it was confidently hoped that the Chancellor of the Exchequer might have a surplus available for the relief of taxation. Speculation was rife as to the manner in which such a surplus would be utilised. Many strongly advocated that it should be applied in reducing the rate of income tax. Others—representative of a great mass of the population—sought a reduction in indirect taxation, arguing that the adoption six months ago of the "equality of sacrifice" principle to balance the Budget had resulted in the making good of a great part of the losses of the more affluent classes, in that gilt-edged securities had recovered from the heavy depreciation which they sustained. This argument, however, could not apply to those whose capital was represented by interests in industrial and commercial concerns. Although conditions in some directions had noticeably improved, the rate of progress in many of the largest industrial and commercial centres was disappointing and in some cases positively disturbing. To say that heavy taxation continued to have a serious effect on industry was no parrot-cry. It was a real danger and as such could not be reiterated too often. Those interested in commerce and industry were suffering more than any other class of the community from this crushing burden of taxation, an unfair proportion of which they had to bear. An income derived from fixed interest-bearing securities might be regarded—after deduction of tax—as available income, but this was not true of the profits of industrial and commercial concerns, since only in rare cases was it sound or proper, or frequently even possible, to distribute or withdraw the whole of the profits earned. Generally it might be said that reserves were vital and necessary to the maintenance—one might almost say, the very existence—of the great majority of businesses. (Hear, hear.) During the extraordinary conditions of the last two years conclusive evidence had been provided of the necessity for reserves, in that numerous businesses had only been able to weather the storm by resorting to reserves created in more prosperous times. It was in the national interest that the stability of business concerns should be assured by encouraging the policy of creating reserves. At the same time any abuse of the system should be stopped. He (the President) suggested that companies and owners of businesses should not be taxed upon profits which were not distributed or withdrawn. Abuse of such a concession could be avoided by limiting it to one-fifth of the total profits earned in any one year. If in any subsequent year any part of the profits previously reserved and untaxed was withdrawn by the proprietors or distributed by way of dividend, the amount of the reserves so utilised would then properly become liable to taxation. A concession such as he had indicated, whilst removing an unquestionable inequality in our system of taxation, would be of material assistance to industry and commerce in meeting the difficulties with which they were faced. (Hear, hear.) He would conclude by a very brief reference to their Society. They were justified, he felt sure everyone would agree, in feeling proud of the progress it had made and the position it had attained since its modest but determined formation forty-six years ago. They were happy to think that a few of the original members were with them still and that some were present that evening. Of these he would mention but one by name, and his because, above all others, it would be remembered with gratitude and

affection so long as their Society existed. He need not say to any member, and he did not think there was any doubt in the mind of any guest, that he referred to Sir James Martin. (Hear, hear.) Although during later years Sir James's activities and interests had extended far beyond the Society and much of his time had been devoted to services of national and public importance, they did not forget that the best years of his life were devoted entirely to the Society, which continued to have the benefit of his counsel and active interest in every matter of importance with which Incorporated Accountants were concerned. It was a matter of considerable gratification to the Society that so many highly distinguished guests, representative of every possible aspect of their national life, had honoured them with their company. He greeted them all in the name of his Council; he thanked the members of the Society for supporting him on that occasion, and he again expressed their indebtedness to Sir Thomas Inskip for graciously proposing the toast. (Cheers.)

"The Guests."

Mr. E. CASSLETON ELLIOTT, Vice-President of the Society, said he had been entrusted by the President with the toast of "The Guests," and when the President said a thing had to be done there was no getting away from it. He had been thinking of what he should say that evening, and he wanted to assure the Society's guests first of all that there was no ulterior object in inviting them. In regard to that he would like to tell them a true story. It happened on the District Railway when one of the lines was blocked, with the result that the trains were held up. Following one of the electric trains was a steam train and that was also held up. In a particular carriage there were eight people seated and they were discussing the delay, which lasted for half an hour. At last one person in the corner who had not said very much looked across to the man in the opposite corner, who was an accountant, and said to him, "I wonder which of your clients in the carriage this morning will be charged up with this waste of half an hour." (Laughter.) The accountant was heard to murmur, "I am not quite so sure that it has been wasted." He (the speaker) wanted to assure those present that nothing like that was going to happen, so they need have no fear. They would not go to their offices on the following morning and write in their diaries for the day before: "7.30 p.m., Dinner at Guildhall; advising Mr. So-and-So—period 3½ hours." (Laughter.) They were indebted to all their guests that evening, particularly to Lord Macmillan for a very wise speech, to Lord Leverhulme for his reply, and to Sir Thomas Inskip for what he had said about the accountancy profession and their Society in particular. If he were to try to go through the list of guests he did not think the evening would be long enough, but were they not all written in the book of which everyone present had a copy? He felt he must specially refer to the kindness of the Lord Mayor and the Corporation of London in granting the use of that historic hall for the banquet. There were also present leading representatives of various public bodies and many of their professional and personal friends. Some of them had travelled considerable distances—even from the North of Scotland—to attend. There was one guest whom he would like to mention because he had come all the way from Amsterdam—he referred to Mr. van Dien, who was one of the few honorary members of their Society. (Hear, hear.) He had pleasure in coupling with the toast the name of the Hon. Mr. Justice McCardie, a popular Judge in many senses of the word. (Cheers.)

Mr. JUSTICE MCCARDIE said he gladly took the opportunity of saying a few words on behalf of the guests. While listening to the kind words spoken by Mr. Cassleton Elliott he was reminded of Mr. Whistler, the famous artist. He was asked by a young lady: "Mr. Whistler, where were you born? Was it in Baltimore or in Paris or in London?" And Mr. Whistler said, "My dear young lady, I was not born at all; I descended direct from heaven." (Laughter.) There was another story, too, which dealt with that matter in connection with Mr. Ben Davies, the famous tenor. When he was playing golf somebody went up to his caddie afterwards and said: "Is that the famous Mr. Ben Davies?" and the caddie said: "Well, you are quite right; it is Mr. Ben Davies, but he is not famous because his handicap is 24." (Laughter.) But whatever the tribute might be that was paid to the guests, there was one thing they realised, and that was that "The music that can deepest reach the human heart is kindly speech." That was the speech they had heard from Mr. Cassleton Elliott that night. Hospitality was a great thing, and they had been entertained that evening, as it were, with the hospitality of the golden age. And as he represented that night the distinguished guests around him, he could not help feeling that a gathering such as that was one of the happiest and the best features of English social life, because it represented not the things that divided but the things that united. There in that great Hall were men of all parties, of all creeds and of all callings, united on that occasion with one great object, and that was to promote the spirit of human kindness. (Cheers.) Their gathering that evening exemplified the kindness of a great profession. It seemed to him that a kindness such as that never ceased; it was always present, it did not change. It was like the young lady in the northern circuit town who was cross-examined by a vigorous young counsel, who said to her: "Miss Robinson, what is your age?" and she said "32." He then said: "I cross-examined you five years ago and you told me then that you were 32 years of age." "Yes," she replied, "I probably did, but I should like you to know, sir, that I am not the sort of girl who says one thing upon one occasion and another thing upon another occasion." (Laughter.) He had heard—indeed he had read in one of the old books of the past—of the gladsome light of jurisprudence, and he saw many distinguished lawyers around him; but he was beginning to think—only beginning—that there must be something even more than that. There must be the gladsome light of the balance sheet, the ledger

and the cost book. It was a wonderful thing, that gathering of accountants. Sir Thomas Inskip had said there were about 6,000 members of the Society. He remembered reading in a Life of Peter the Great that he was over in England at the close of the seventeenth century and he went to Westminster Hall. He was taken there by the Lord Westmorland of that day, and he saw a large number of men in wigs and gowns. He said to Lord Westmorland: "Who are all these men?" And Lord Westmorland replied: "They are all lawyers." "Why," said Peter the Great, "In the whole of Russia I have only got two lawyers and I propose to hang one of them the moment I get back." (Laughter.) What he would have said if he had known that there were nearly 6,000 members of that Society they might imagine. But, after all, he did not forget this, that an accountant to-day was something more than a mere expert on figures; he was half a lawyer, if not three-quarters; he was a guardian, a watchman, a trustee of the public interests. We were passing now into a period of great and momentous changes, passing from one era to another, and the great task of reconstruction might lie before us. That being so, he rejoiced to think that in the future every member of that great Society would endeavour to maintain—aye, and would succeed in maintaining—the traditions already gained, and, more than that, would resolve in the fulness of his heart to maintain the great traditions of British integrity. (Cheers.)

The proceedings then terminated.

Obituary.

THOMAS HENRY AUBREY BIDDLE.

Mr. T. H. A. Biddle, A.S.A.A., Tunbridge Wells, died on March 26th, at the age of 71. Mr. Biddle had been a member of the Society since 1904. At the date of his election he was in the service of Messrs. Haydon & Haydon, London, by whom he was shortly afterwards admitted to partnership. Since then he was continuously in practice until the date of his death.

JOSEPH WILLIAM BLACKHAM.

We regret to announce that Mr. Joseph W. Blackham, F.S.A.A., senior partner in the firm of Blackham and Hills, Incorporated Accountants, 147, Corporation Street, Birmingham, died on April 8th at the age of 73. Mr. Blackham became an Associate of the Society in 1886 and a Fellow in 1892. He was a member of the Council from 1894 to 1926. When his brother, Mr. James Blackham, F.C.A., retired in 1887, Mr. J. W. Blackham continued his practice, with which he had already been associated for several years. Another brother, Mr. Walter George Blackham, A.S.A.A., was in partnership with him until his death in 1914. Mr. Joseph W. Blackham then practised alone until 1930, when he admitted to partnership Mr. Charles H. Hills, A.S.A.A. Mr. Hills will continue to practise as Blackham & Hills at the same address. Mr. J. W. Blackham took an active interest in the Birmingham and District Society of Incorporated Accountants. He became the first Honorary Treasurer on its formation in 1892, and was President from 1902 to 1904. He held office as a Vice-President at the date of his death.

QUESTIONS IN PARLIAMENT.

Sur-Tax on Limited Companies.

On April 12th, Mr. J. P. MORRIS asked the Chancellor of the Exchequer if he will furnish the number of private limited companies in existence in 1928, 1929, 1930, and 1931; the number in each year which have been challenged for assessment of sur-tax by the Board of Inland Revenue under clause 31 of the Finance Act of 1927; the number of cases in each year where a claim for payment of sur-tax has been made; and the number of claims actually paid in each year?

Mr. MORRIS also asked the Chancellor of the Exchequer if he is aware that the Inland Revenue Authorities, under sect. 21 of the Finance Act of 1922, as amended by sect. 31 of the Finance Act of 1927, are assessing to sur-tax the whole of the profits made by *bona fide* private companies engaged in manufacturing industries; and if he will consider amending the law so as to exempt from assessment to sur-tax all such companies which have distributed a minimum 50 per cent. of their profits, or, alternatively, so as to define the words—a reasonable part of its actual income from all sources?

Mr. CHAMBERLAIN: As the answer is somewhat long and contains a number of figures, I will circulate it in the Official Report.

Following is the answer:

The number of companies to which the provisions of sect. 21 of the Finance Act, 1922, as amended by sect. 31 of the Finance Act, 1927, apply is estimated to be in the neighbourhood of 100,000.

The following figures relate to the cases in which action has been taken.

	1928.	1929.	1930.	1931
(1) Number of companies which have been asked for particulars under paragraph 4 of the First Schedule of the Finance Act, 1922	408	574	449	373
(2) Number of companies in connection with which a claim for payment of sur-tax (or super tax) has been made ..	70	99	186	153
(3) Number in which tax has actually been paid	66	90	167	144

It will be seen from the foregoing figures that in a very small proportion only of the total number of companies within the scope of the provisions in question has any action at all been taken and, further, that a claim for sur-tax (or super tax) has been made in a still smaller proportion.

Companies engaged in manufacturing industries are not, as such, excepted from the statutory provisions, but I would point out that, in determining whether or not there are grounds for taking action in a particular case, the law requires that regard should be had not only to the current requirements of the company's business, but also to such other requirements as may be necessary or advisable for the maintenance and development of the business. The question whether or not in a particular case there has been a reasonable distribution of income is one which can only be determined by reference to the facts and circumstances of that case. A percentage of income which would constitute a reasonable distribution in the circumstances of one case might obviously be quite unreasonable in the circumstances of another, and accordingly, even if it were possible to define satisfactorily the class of

companies which I think my hon. Friend has in mind, I could not accept either of the suggestions which he has put forward. I would remind him that any company which is aggrieved by any direction given under the provisions in question may appeal to the Special Commissioners of Income Tax, and if dissatisfied with their decision may require the appeal to be reheard by the Board of Referees, a tribunal of business men presided over by an eminent lawyer. It has also the right to appeal to the High Court on a point of law.

Changes and Removals.

Messrs. Crinkley & Co., Incorporated Accountants, announce a change of address to 12, Bow Lane, London, E.C.4.

Messrs. Fletcher, Hibbert & Co., Lancaster House, Doncaster, have taken into partnership Mr. W. G. Dickinson, A.C.A.

Messrs. Ford, Rhodes & Ford, Chartered Accountants, advise that the address of their Calcutta office is now Tower House, Chowringhee Square.

The partnership hitherto existing between Mr. G. R. Griffin, Incorporated Accountant, and Mr. A. Kennedy, at 43, Cannon Street, Birmingham, under the style of Griffin & Kennedy, has been dissolved. Mr. A. Kennedy will continue to practise on his own account at 43, Cannon Street, and Mr. G. R. Griffin has taken into partnership Mr. T. P. Carter and Mr. E. G. Bolus, Incorporated Accountant. They will practise under the style of Griffin & Co., at 7-8, Union Street, Birmingham.

Mr. J. Herbert Haley has taken into partnership his son, Mr. J. Herbert Haley, and Mr. J. B. Newport. The practice will be continued under the style of J. Herbert Haley, Son & Co., Incorporated Accountants, at 29, Tyrrel Street, Bradford.

Messrs. A. Cropp Hawkins, Incorporated Accountants, intimate that the addresses of their offices have been changed to Portland House, Church Street, Stoke-on-Trent, and Albert Chambers, Chapel Street, Congleton, Cheshire.

Messrs. Hughes & Allen, Incorporated Accountants, London and Paris, announce that the address of their Paris office is now 7, Rue des Capucines, and that Mr. David N. Crick, A.S.A.A., has been appointed resident manager.

Messrs. Kingston, Smith & Co., Incorporated Accountants, have removed their offices to 110, Cannon Street, London, E.C.4.

Mr. F. W. Leates, Incorporated Accountant, has commenced to practise at 97, Newgate Street, London, E.C.1, and 102, Eastern Esplanade, Thorpe Bay, Southend-on-Sea.

Messrs. Morgan, Cappleman & Co., and Mr. A. H. Crumpton announce the amalgamation of their practices. The combined practice will be carried on under the style of Morgan, Crumpton, Cappleman & Co., Incorporated Accountants, at Paragon House, Paragon Street, Hull, and at London and Grimsby.

Mr. M. N. Sambamurti, B.A., Incorporated Accountant, has commenced practice at 36, Errabalu Chetti Street, Madras, under the style of M. N. Sambamurti & Co.

Messrs. Sastri & Shah, Incorporated Accountants, Madras, have opened an office at Colpeety, Colombo.

Reviews.

Taxation of Foreign and National Enterprises. *Geneva: The League of Nations.* (276 *pp. Price* 10*s. net.*)

The object of this publication, which deals with the fiscal laws in France, Germany, Spain, the United Kingdom and the United States of America, is to facilitate the conclusion of conventions for the abolition of double taxation and of relieving taxpayers from fiscal charges in relation to business interests in other countries. Full particulars are given of the law and practice relating to the taxation of foreigners (whether individuals or companies) carrying on business or holding property in the countries referred to. The information is prepared by high officials in those countries, and may therefore be regarded as reliable.

Trade Combinations in U.S.A., France, Germany and Poland. *London: Sweet & Maxwell, Limited,* 2-3, *Chancery Lane, W.C.*2. (208 *pp. Price* 9*s.* 6*d. net.*)

This is another book dealing with international matters, and the portion relating to each country is prepared by a member of the Bar of the country concerned. The object of the book is to set forth the circumstances under which trade combinations can be formed and the restrictions and limitations imposed upon them by the State in which the trade is to be carried on. The whole subject is very fully discussed, and information of a practical character is provided.

Super Tax in South Africa. *By M. Glickman, Incorporated Accountant. Cape Town and Johannesburg: Juta & Co., Limited.* (36 *pp.*)

Those who are interested in South African Super Tax will find in this little book a very convenient summary of the law relating to the subject, together with examples showing how the taxable liability is worked out in different cases.

Kingston's Metric Equivalent Tables. *London: Kingston's Translations Institute,* 96-98, *Leadenhall Street, E.C.*3. (*Price* 2*s. net.*)

These tables give a large amount of information in a very small space. The figures deal not only with prices, but also with quantities and measurements, and provide an answer to every question that is likely to arise in connection with metric weights and measures and Continental prices, including tables of "factors" which, multiplied by the rate of exchange per £, give the equivalent foreign prices (per metre, kilogram, &c.) in any currency and at any rate of exchange.

The London Money Market. *By F. Bradshaw Makin, F.C.I.S. London: Gee & Co.* (*Publishers*), *Limited,* 8, *Kirby Street, E.C.*1. (58 *pp. Price* 2*s. net.*)

Amongst the subjects dealt with in this little book are the Bank of England return, the Bank's control of credit, Foreign Exchanges, Treasury and Commercial Bills, together with a general description of the Money Market and its operations. A concluding chapter discusses the departure from the Gold Standard and the question of stabilisation.

Traders' Accounts and Income Tax. *By B. Davies, A.S.A.A., and H. P. Gregory, A.C.I.S. London: Sweet & Maxwell, Limited,* 2-3, *Chancery Lane, W.C.*2. (244 *pp. Price* 15*s. net.*)

A feature of this book is the number of examples which are given showing how claims are prepared in various circumstances, and particular attention has been devoted to back duty cases. Explanations are also given as to how to prepare accounts for Income Tax purposes from incomplete records, whilst the special circumstances of hire-purchase accounts and instalment purchases are fully explained.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to, and promotions in, the Membership of the Society have been completed since our last issue :—

ASSOCIATES TO FELLOWS.

MANDRE, SHAMA RAO, M.A., B.Com. (S. R. Mandre & Co.), 118, Mahendra Mansions, Esplanade Road, Fort, Bombay, Practising Accountant.

WALKER, GEORGE HENRY, 37, Southgate, Halifax, Practising Accountant.

ASSOCIATES.

ANDREWS, HARRY, Borough Treasurer's Department, Municipal Chambers, Newport, Mon.

BLOUNT, WILLIAM HENRY, Clerk to Jas. M. McIntosh and Son, Cadogan Chambers, Cherry Street, Birmingham.

BRITZ, MAX, Clerk to B. W. Gotelph, 96, Foulden Road, Stoke Newington, London, N.16.

CHAPPELL, FRANK, Accountant, Charles Hagenbach and Sons, Limited, Northgate Chambers, Wakefield (formerly clerk to F. W. T. Mills, Crown Court, Wood Street, Wakefield).

FROST, REGINALD CLEMENT STACEY, Clerk to Edward Clothier, 4-5, Royal Exchange Buildings, Durban, South Africa.

GRAVES, ARNOLD, 233, Western Bank, Sheffield, Practising Accountant.

JONES, ALWYN HUGHES, 14, Market Street, Caernarvon, Practising Accountant.

LAW, WILLIAM ARCHIBALD, Clerk to George Mackeurtan, Son & Crosoer, Old Well Court, 376, Smith Street, Durban, South Africa.

NOCK, FRED, City Treasurer's Department, Council House, Birmingham.

SINCLAIR, CHARLES MCDONALD, Clerk to Peat, Marwick, Mitchell & Co., Guildhall, Newcastle-upon-Tyne.

SMITH, STANLEY, Clerk to Armitage & Norton, Martins Bank Chambers, Bradford.

SUDELL, HAROLD, Clerk to Clarke, Clarkson & Howarth, 31, Castle Hill, Lancaster.

District Societies of Incorporated Accountants.

BELFAST.

(STUDENTS' SECTION)

The fourth annual dinner of this section was held at Belfast on April 6th, Mr. J. H. Allen, F.S.A.A., the President of the Section, occupying the chair. In proposing the toast of "The Society of Incorporated Accounants and Auditors," Mr. Allen impressed upon the students the importance of wide reading apart from subjects relating to their profession, and indicated some of the books which might profitably be read.

Mr. J. D. Thompson, F.S.A.A., the President of the Incorporated Accountants' Belfast and District Society, replying to the toast, said that the relations between the Societies in the North and South of Ireland were very friendly, and so far as they were concerned there was really no border. He regretted the apparent lack of enthusiasm amongst the students, and appealed for a greater measure of interest, reminding them that the future success of the District Society rested with them. Mr. D. T. Boyd also replied.

The Monetary Crisis of 1931.

A LECTURE delivered to the Incorporated Accountants' Newcastle-upon-Tyne and District Society by

MR. WILLIAM MATHERS,
Associate of the Institute of Bankers.

MR. MATHERS said : When I was invited to give a lecture on the Banking Crisis of 1931 I was a little puzzled, because the crisis of 1931 was rather a crisis of governments, gold holdings, commodity prices and currencies rather than one of Banking. I have therefore used the word "Monetary" in place of "Banking." True, the failures of banks in Central Eurore and the United States of America are generally accepted as the cause of the crisis and much of the blame for the present position of this country has been placed on our bankers. In point of fact I intend, as far as I may, to show you that banking difficulties were not only not the cause of the crisis but that they were the effects of that crisis. In my opinion, had it not been for the strenuous efforts of the British banking system, ably led by the Bank of England, the crisis would have taken place much earlier, some months at least, than it did, and would in all probability have had far more serious consequences. Do not, at the outset, be ruled by thoughts that the crisis was a fortuitous occurrence. Thinking men the world over knew what would be the result of political blunderings since the war. In the report of the Young Committee which appeared so far back as June, 1929, appear these words :—"It is the considered opinion of the representatives of the Central Banks of Great Britain, France, Germany, Belgium and Italy and of kindred institutions in the U.S.A. and Japan that the credit structure of the world is in jeopardy, and may break down altogether if the Central bankers do not put their heads together and take concerted action to ensure its stability." After pondering over this statement, one wonders why the Central Banks did not get their heads together and so avert the crash. The obvious answer to this, however, is that Central Banks the world over are ultimately under the control of their respective governments. Indeed the Bank of France and the Reichsbank may be said to be, in effect, State Banks. The Bank of England owes its greatest and most profitable privileges to a charter granted by the Government, and so could not run contrary to the wishes of the State ; whilst the Federal Reserve System of America has not sufficient command over the banking system of that country to enter into any negotiations which might conflict with public opinion. Thus it is clear that no useful purpose could be served by conferences between Central Banks unless these should be sponsored and supported by their respective governments. As Sir E. Hilton Young said in January of this year (speaking of high finance in general), "They perform their humble but most necessary duties, not indeed as the high priests, but as the humble handmaids, of politics." With your permission, I propose to trace the causes of the crisis to their true origin. These causes are undoubtedly to be classed under two main headings—Political and Economic. These again should be divided into internal and foreign politics, and into trade and credit. The four divisions, you are reminded, are not in the least watertight, but are intimately related one with the other and any changed circumstances in the one is immediately echoed in the others.

Briefly, for time is short when so large a subject is to be reviewed, let me run over the condition of the world prior to September, 1931.

Up to 1914 London was the financial centre of a world which since the middle of the 19th century had enjoyed a period of commercial development which had brought prosperity to all.

The Overseas Dominions and Colonies of Great Britain were being rapidly opened up, and were in a position to take our exports, both goods and money, as fast as we cared to send them. The world was greedy for their primary products. We had the finest mercantile service in the world, and our banking and insurance services were practically world monopolies. We had a prodigious entrepot trade and acted as wholesale merchants to the world. Our balance of trade was easily kept favourable and we had each year a great surplus of funds for lending abroad, a practice in which we indulged very freely. Each year the product of these investments increased our surplus. Germany, Austria and Hungary, and Russia were almost one economic empire and might, indeed, had peace prevailed, have formed one Customs Zollverein. The incidence of frontiers and tariffs on their trade was reduced to a minimum, and commerce with countries in the agricultural stage of development was rapidly growing, aided greatly by the fact that the various currencies were all maintained on a stable gold basis. Foodstuffs which it was necessary to import from abroad were relatively cheap in terms of the labour demanded to produce the exports required to pay for them. France and Belgium were making great strides in manufacture, and France particularly was able to spare much money for investment abroad. The United States was developing her natural resources at high speed and never had trouble in finding the markets for her exportable products necessary for the payment of her external debt, then (1914) estimated to be about £50,000,000. The Eastern countries and continents, Egypt, India and China together with the great States of South America and Africa were absorbing in a highly satisfactory manner the surplus manufactures, funds and population of Europe.

Generally, throughout the European Continent, capital was plentiful and cheap. Labour costs were moderate in relation to finished prices, and labour itself was plentiful and extremely mobile. Emigration and immigration was free and largely encouraged by the young countries overseas. Tariffs, though in the aggregate not much less than they are now, were moderate in their incidence, whilst local and governmental taxation was relatively low. Above all, currencies throughout Europe were based on gold or on a bimetallic system almost as good, or on some system of gold and gold exchange. In all cases fluctuations were but slight and traders could move their goods freely in the certainty that they would receive the arranged price for them. Prices generally had risen slightly over the last fifty years. An ideal state of things from the economist's point of view.

In a few days there fell over the midst of this busy and peaceful continent the shadow of war. In that short space of time was annihilated the complex and delicate financial machinery that had grown with the trade it had facilitated and developed. Let it not be said that systems of finance should be strong enough to withstand even such a shock as that. Tacks are not driven home with sledge-hammers—and a financial system able to withstand any storm would be a drag on normal trade rather than a help to it.

One does not attempt to win speed trophies with a steam tug, though if a storm should spring up during the race one might wish then that the fragile yacht were a tug.

During the years of the war ordinary trade finance was undreamt of. The great manufacturing countries of Europe almost ceased useful production and concentrated all their energies in putting out more and more armaments. Balances of trade were unimportant and high finance was absorbed in the fascinating problem of raising more and more loans, of issuing more and more currency notes. The gold standard was dropped as though it was something evil. France, Italy, Belgium, Russia and Great Britain commenced raising money abroad. Great Britain in particular, as the strongest of them financially, entered into colossal commitments, chiefly with the United States. She used her own balances, she used her own credit, and eventually sold her securities to raise money for herself and to re-lend to her numerous allies. Her internal debt which in 1911 was roughly 668 millions of pounds, became at the end of the 1919-20 financial year no less than 7,876 millions. An increase by approximately twelve times in nine years. It should be noted in this connection that during the sixty years 1851-1911 the National Debt had *decreased* by about 150 millions of pounds. What then was the position of the world in 1919 when hostilities had ceased?

POLITICALLY.

The spirit of the nations in spite of the exhaustion of war was still that of enmity and distrust. Governments set to work to protect their nationals at all costs. Those of the belligerents who were on the successful side were determined that there should be no more war, and that the easiest way to effect this end was to cripple commercially and financially their late opponents. Fantastic sums were demanded for reparations and indemnities, which, of course, it was commonly believed, Germany could be forced to pay. Great Britain in a whole-hearted way started to make a country fit for heroes to live in, and embarked on a course of prodigious social expenditure. She apparently had not yet realised what the war had cost her, and seemed to expect to resume at once her old place as the richest and most powerful nation. France was in a distressful condition, and Belgium was worse. Their countries were ravaged by enemy occupation which they themselves made no effort to make good, being convinced that Germany should and could do this. Italy was in a similar state. Germany, on top of the wholesale disorganisation of industry for war purposes, was struggling amidst the disorders consequent on the revolution of 1918.

Austria and Hungary, as great nations, no longer existed, their richest territories having been stripped from them by the Treaty of Versailles. A host of young and inexperienced states came into being in Central and Eastern Europe. Russia, since 1917, might have been as remote as the North Pole, so self-centred and self-containing had she become either voluntarily or through the compulsion of other nations disgusted and uneasy at the events which had taken place within her borders. The intense nationalism of post-war Europe was evidenced by the erection of tariff barriers, not intended, as before the war, to develop infant industries or to protect those suffering from temporary depression, but with the deliberate intention of excluding foreign goods and produce, with a view to making the various separate countries self-supporting and independent of foreigners.

ECONOMICALLY.

All the European countries were almost without capital for the restoration of their peace time industries. Credits on long and short term were sought chiefly in the United States and to a less extent in Great Britain. The United States had not yet, in spite of the enormous wealth forced on her during the war, developed the habit of lending abroad on long term. Great Britain had not lost her pre-war disposition to do so, and in fact it was shortly realised that she was lending abroad at the expense of her own

industries. At the suggestion of the Government, the banks strongly and effectively discouraged the practice. A wave of buying for restoration purposes swept the world and prices of goods rose to an alarming extent as is evidenced by the cost-of-living figures which rose from 176 in 1917 (taking July, 1914, as 100), to 226 in 1921. This wave of buying gave a tremendous impetus to producers of primary products, wool, cotton, iron, rubber, wheat, tea, coffee, the base metals, &c. Fresh tracts of land were brought into cultivation, new plantations were laid out, fresh mines were sunk and new ships were built. The world's trade boomed. It was obvious that such a state of things could not last. A one-way stream of goods to Europe had to be paid for, and Europe had not the wherewithal to do this. Her exports were small, and what gold she possessed she was determined to keep. A scarcity of goods arose resulting in a fantastic rise in internal prices in Germany, Austria, Russia, Belgium, France and Italy. The rise in prices called for an automatic increase in currency and the vicious circle of inflation simply whirled. Ultimately when a halt was called, Germany set up a new currency based on gold, in which one billion of marks was the equivalent of one Renten mark, which had the same gold content as the old mark. France, Italy, and Belgium devaluated their currencies heavily. Austria and Russia simply wiped out their monetary systems and started afresh.

In 1930 then the position of the world was this. France by devaluation of her currency in 1928 had reduced her internal debt by four-fifths. And it must be borne in mind that this reduction applied not only to National debt held internally but to that held by foreigners. It applied also and with equal force to her local government debts and to commercial debentures and fixed interest prior charges. This, together with her strenuous efforts to balance her Budget, placed her in a strong position to regain her trade. Much suffering must have been caused to the rentier class by this operation, but it was ruthlessly performed. She resolutely refused to admit from abroad goods which she herself could produce, with the exception of the reparations in kind she received from Germany. She implemented this policy by an ever increasing tariff wall. The result was that whilst foreign nations were buying goods from her, she would not accept goods in payment, but insisted on gold or exchange. In this way she accumulated the immense gold stocks which have been such a stumbling-block to economists who would set the world right. By this means also, she accumulated immense holdings of foreign currencies, and since London was still the international clearing-house, most of this currency was in sterling. Further, during the panic caused by the flight from the franc, French nationals had transferred large balances to London and, owing partly to fear that the franc would not hold its ground, and partly because of the higher yield on the money in London, this money was left there. Another symptom showed. The Frenchman has never quite lost his peasant characteristics. His monetary system has been so often ruined by war, financial panics and invasions that in his heart he still believes in the safety of the old stocking. Like the American, he has not the mentality for investing his money abroad, risking any loss for the higher yield. He would dearly love to obviate the one and concentrate on the other. The important consequences of this national outlook are :—

(1) That the huge balances held abroad were kept at call or short notice.

(2) That France has an issue of currency notes far in excess of her trade requirements, because of the hoarding of notes, regarded as being as good as gold, by her peasantry.

Further points to be noted are that France in her international dealings is largely swayed by her very real fear of further invasion, and the fact that she was refused a guarantee of security by her former allies seems to have further embittered her international outlook. She is influenced by her profound conviction that Germany can and must pay for war damage, and of England she asks "By what divine right does the Englishman expect to receive more pay for doing less work than anyone else." It is seen, therefore, that France's whole sympathies are expended on herself, and it is the earnest conviction of many who have studied her attitude and declarations of recent years that she is laying up for herself bitter enmity which may in the future cause her serious harm.

The United States, during the years of European depression 1921-29, had seen a period of prosperous trade within her own borders. She was economically self-supporting, needing practically no imports and defending herself against their entry by high tariffs. Politically she had little patience with Europe. A body of some 60,000,000 of her citizens were convinced of the benefits to humanity which would proceed from disarmament. They could not understand why Europe should reiterate her inability to pay her debts to the States whilst spending colossal sums annually in preparations for further war. There has thus been no progress made on the lines of the many suggestions for the cancellation of Europe's debt to America against cancellation of inter-belligerent war debts. In this respect the position of Great Britain is vitally important and interesting. We in this country are placed in the unenviable position of acting as debt collectors from France, Belgium and Italy for the United States. It is seen, therefore, that the United States is in a position analogous to that of France. She has comparatively no foreign investments as we regard them. True, she has a large amount due from Great Britain which she has been compelled to fund, and has extended large sums in short term credit to Germany, Austria and, of late, to this country. To America, then, gold has also flowed, as a writer in the *Bankers' Magazine* has remarked, "like a secret hæmorrhage" since the end of the war.

It was calculated that by the end of 1930 three-fifths of the world's gold had found its way into French and American vaults.

GERMANY.

In spite of repeated crises Germany has gained much ground. With her old pertinacity she has obtained credits abroad, even though, with the exception of Reparations Loans, these credits are on short term. She has re-established her old industries, and by the favourite method of tariffs, aided, be it said to her great credit, by an enormous amount of hard work, she seems likely this year to have a favourable trade balance. Reparations, so far as they have been paid, appear to have been paid from money borrowed abroad. Let me remind you that at the outset she had no national debt other than reparations, and that her industries and local governmental bodies were free from fixed interest debentures and charges. In Germany, however, as in France, the currency debacle had left its mark, and Germans, wherever possible, kept their balances at their own disposal abroad, again chiefly in London, and again, chiefly at call or short notice. It has been estimated that at the present time balances abroad owned by German nationals would be sufficient to pay the country's short term indebtedness were they available. The total sum is calculated at some £300,000,000. The psychological factors in Germany are

rather different from those prevailing in France. Germany is not afraid of invasion: her chief expectation of strife is in her susceptibility to civil war in attempts by certain of her citizens to establish some such State as her eastern neighbour Russia, with whom, as was shown at the beginning of this address, she was formerly bound by strong commercial ties. The mention of this reminds one of the recent attempt to form an Austro-German Customs Union, which would have been undoubtedly a great help to both countries had it not been quashed by France, actuated by her hereditary fear of Central European domination. Germany is not subject to hoarding, for her people are eminently distrustful of their own currency. She does not appear to be actuated by the fear and envy that is shown by France, but appears to be quite willing to take her place in the comity of nations and to bear her share in any attempts to overcome the world's misfortunes. Finally, therefore, Germany is in a fair way, given extensive credits, to rehabilitate herself, and that quickly.

ITALY

is relatively less important than the countries mentioned, but she, together with Belgium and other lesser European States, would no doubt quickly set themselves on a sound footing again given reasonable world conditions.

AUSTRIA AND HUNGARY.

These are the two tragedies of the war. Denuded of the industrial areas of their domains they have been thrown back almost entirely on to their agricultural resources at a time of deep depression in the price of agricultural products. The help afforded by Great Britain, the United States, and even, as a condition of the breaking of the Customs Union, by France, has apparently been of little avail, and these countries are still in the depths of poverty.

GREAT BRITAIN.

Through the changing of Europe's economic face Great Britain stood firm. She did her utmost to relieve her allies by the cancellation of a large part of the debts due to her, and by the funding of the balance at the abnormally low rates of interest of ½ per cent. and 1½ per cent. She honourably agreed to pay the debts which she had contracted with the United States, and to pay 3½ per cent. on the outstanding balance. She did not devaluate her currency, but rather increased its value by returning to the gold standard in 1925 at the pre-war parity. So far so good from the foreigner's point of view. Politically, however, one can state the truth only by saying that she utterly mismanaged things. At a time of falling prices she rushed into expenditure on all kinds of social work. She set to work to build houses which in a few years have fallen in value some 50 per cent., and she has never charged anything approaching an economic rent for them. She developed a scheme of unemployment insurance which, earlier this year, was costing her £100,000,000 a year. It might be added, however, that this sum is perhaps a small one with which to purchase immunity from internicine civil war. Briefly, Great Britain spent more on her social services in 1930 than she spent on the administration of the country as a complete whole twenty-six years previously. Her national expenditure in 1930 was four and a-half times that in 1913. Her exports were decreasing, her imports were increasing, and the point was already visible when the balance of all her international payments would be against her.

The stage is now set for the development of the Monetary Crisis of 1931.

In 1929 there occurred a Stock Exchange boom in the United States, caused, no doubt, by the high profits being earned by her industries which had been largely unaffected by the world depression. It was found that industry was being robbed of capital for speculation, but in view of the large stocks of gold it was thought quite orthodox and helpful to increase the supplies of credit based on this gold. The increased credit appears to have found its way also to the Stock Exchange and the vicious circle of speculation continued at ever higher levels.

Now I would here call your attention to the fact that banking in the United States is eminently different from that in England. Branch banking is practically unknown, and there are some twenty-two thousand different banking institutions up and down the country, less than half of which are members of the Federal Reserve System. Nevertheless, as in other countries, balances congregate in the largest centre—in this case New York. But there is this essential difference. In Great Britain bank balances are entirely managed by the head offices of the different banks; that is to say, for practical purposes, the ultimate use to which this money shall be put is decided upon by a small body of men. In New York the balances which are drawn from the West and Middle West are in the position of ordinary bank deposits. They can be withdrawn at will, being held at call or at very short notice, and the institutions to whom they are lent exercise no control over the keeping of them. In the United States, too, and on the Continent of Europe, banks enter largely and intimately into commercial and industrial affairs. They float companies and often hold large blocks of shares for appreciation. Their resources are drawn through very narrow channels. If one or two firms of any standing in Clutterbuck, Oklahoma, find themselves in difficulties it is quite likely that the Fifty-First State Bank and Trust Company of Clutterbuck, Oklahoma, will also be in difficulties, for its position is completely bound up with the position of industry and trade in its home town, and its many local competitors are not to be expected to lend a willing helping hand. The banks then in the United States found themselves holding large blocks of securities at boom valuations which apparently showed ample margins.

In Europe the banks were expected to follow their usual custom of developing industry, not by lending money temporarily against industrial assets but by floating companies, entering intimately into their management and, if necessary, holding large blocks of shares awaiting a favourable market. Such banks were the Credit Anstalt in Austria, and the Darmstadter und Nationalbank in Germany.

Now let us see how the gold standard was working.

Gold is the historic basis for currency and as such has been used for some two thousand five hundred years. It is a metal of beauty and is universally desired. It is far from perfect as a means of exchange chiefly owing to its varying rate of production, which is estimated as being roughly 3 per cent. of the world's stock annually. It is the best that has yet been discovered and before the Great War, when times and business were normal, appeared to serve the purpose very well. It is obvious, of course, to the student of economics, that gold is not only the basis of currencies but is the ultimate basis of the whole credit structure of the world. Here it might be as well to explain the reasons for not holding an opinion, which has been widely expressed, concerning the alleged misuse of gold by France and the U.S.A. It is said that these countries should have used their stocks of gold for extended credit. Had they done this they would have had to issue roughly £25,000,000 of currency notes for every £10,000,000 of gold imported, at a time when their existing currency issues were ample for the needs of their trade. Of course they might have done this and so caused

a period of inflation and rising internal prices. This would, however, have encouraged imports; a thing entirely contrary to their declared policy.

It is useful to consider the relative figures of our own credit structure in 1929-30 as compared with pre-war days.

Our bank deposits in 1913 were 1,032 millions, in 1929 well over 2,000 millions. The cheques passed through the London Clearing House in 1913 amounted to 16,436 millions, in 1929 to nearly 45,000 millions. Double and nearly treble the pre-war figures. It is not to be supposed that this increase has taken place in this country alone; it must be universal. So that we may assume that the gold in existence is doing at least three times the work it performed in 1913. And even in those days the position was not regarded as quite safe. The Rt. Hon. F. Huth Jackson speaking in Leeds in May, 1914, said: "It cannot be regarded as being entirely satisfactory that the increase in gold has been only 42 per cent. during the last twenty years whilst the increase of bank deposits and the total amount of our foreign trade has been over 100 per cent." It is true of course that there has been a great economy in the use of gold during the war period. It is thought that about £90,000,000 of gold was in circulation in this country at the outbreak of war, and this now serves as a basis for some £240,000,000 of currency. But this country's stocks of gold in the early part of this year were certainly at least £20,000,000 less than in 1914. Further, Great Britain was almost the only country that could greatly economise in the use of the metal, as others had generally already based their currencies at fairly low ratios and had freely circulated notes. It is interesting to read the words of Professor Cassell, spoken in May, 1931: "According to earlier experience, America would need an annual average increase in its gold reserves of 4.7 per cent. At present this would mean about 197 million dollars, a sum roughly corresponding to half of the world's production of gold. In fifteen years this sum would have grown to about 394 millions of dollars against an estimated total annual production of 370 millions. Under such circumstances the world would have no other choice but immediately to abandon the gold standard."

A result of the excessive holdings of gold in the United States and France may be stated best by quoting the words of Sir Charles Addis, written in January of this year: "No longer can the gold standard be said to act as an effectual means for equating the balance of exports and imports, or to serve as an automatic signal to indicate that external and internal prices are out of equilibrium, or to act as a regulator of the exchanges by distributing the supply of bullion among the nations in accordance with their effective demands for gold as a basis for currency and credit."

High rates of interest on money for speculative purposes during the American Stock Exchange boom of 1929 would appear to have attracted back to that country balances which had been lent to Central Europe and Germany, thus giving rise to considerable anxiety in financial circles there. When the boom broke the New York banks found themselves saddled with overdrafts and loans against Stock Exchange securities now sadly reduced in value. It was an extremely trying time for American bankers generally, and there were rather more than the usual number of bank failures. This served to deepen a feeling of insecurity which was accentuated by reports of heavy falls in industrial profits. There were hurried recalls of balances from New York westward.

It might be as well to recall that for some years there had been a steady increase in stocks of primary commodities in spite of the many ingenious schemes for restriction of production and for maintenance of prices. The great consumers of manufactured goods, Australia, New Zealand, Canada, Africa and the South American States, had long been crippled by the uneconomic prices offered for their productions and by the lack of demand for them. India and China, through the disastrous fall in the price of silver and through internal strife, were in no position to increase their imports—rather the reverse. Reports of ever increasing crops and stocks were constantly published. No wonder, then, that patience gradually became exhausted and that commodities were thrown on to the market for sale at any price. Extraordinary bank failures in the United States undoubtedly helped the movement and wholesale commodity prices fell 25 per cent. between July, 1929, and February, 1931.

This fall in prices, even more than the recall of foreign funds, affected the never very strong financial position of Austria. Many of the firms on whose prosperity the Austrian banks were reliant found themselves in increasing difficulties. Failures naturally ensued, and the largest of the Austrian banks, the Credit Anstalt, found itself in a precarious position. For a time, by the aid of the Bank of England and British finance, the bank struggled bravely on, but in July, 1931, was compelled to close its doors, and the actual crisis commenced. The export of currency was forbidden in Austria, and the effect was immediately felt by her closest neighbour, Germany. This blow, together with the failure of the great North German Woollen combine of Bremen, caused the Darmstadter und Nationalbank, one of the "Big Five" of Germany, to suspend payment. Immediately there was a huge crop of bank failures thoughout Germany and Central Europe, and Stock Exchanges were generally closed to allow time for the position to clarify. A credit of £20,000,000 which had been granted by the Bank of England to the Reichsbank, was renewed for a further three months.

The financial implication of this country in the debacle may be briefly summarised. It was estimated that of a total of short term funds abroad amounting to about £120,000,000, some £70,000,000 was in Germany. As has previously been shown, huge balances owned by foreign nationals were held in London to an amount roughly estimated at £300,000,000, though not exactly ascertainable, as these balances were treated by the various banks and financial institutions, in whose care they had been placed as ordinary deposits, and as such were included with internal banking deposits in their periodical statements. The banks were no doubt guilty of some laxity in not making the true position known to each other so that sufficient margins could be provided for unforeseen demands. It must, however, be stressed that, of the £70,000,000 of money in Germany on short term, it has been officially estimated that no more than £30,000,000 was owned by the Clearing Banks, the remainder being funds invested by private and semi-private individuals or firms. It is further to be stressed that it is imperative for the Clearing Banks to hold fairly large balances with their central agents abroad from which to draw at the request of their customers. Failing this they must arrange overdrafts with those agents, a course manifestly impossible in countries suffering from such financial stringency as were Germany and Austria.

It was generally known throughout the financial world that London was heavily involved in Central Europe. In July, 1931, was published the Macmillan Report, which contained strictures on British banking methods. More important by far was the publication about the same time

of the May Report which baldly confirmed the world's opinion that Great Britain was overspending her income and was rapidly heading for financial ruin. At this time it was thought that the total of British investments abroad which had at one time amounted to roughly £4,000,000,000 was reduced to approximately half that sum. To the man in the street, reading of the difficulties of countries who were our principal debtors in this respect, of losses in exchange by British firms operating abroad, of defaults in the payment of interest, and of the passing of dividends in an ever increasing degree, it was obvious that our national income from investments must be seriously depleted. The still huge sum of our foreign investments was locked up in railways, plantations, harbours, ships, bridges and cities in all parts of the world and was of course almost, if not entirely, unrealisable on falling markets.

It was shown that the balance of our international payments which in 1929 had amounted to 138 millions of pounds, and in 1930 to only 39 millions, was likely in 1931 to be entirely wiped out. Further to this we had forfeited eleven millions of pounds, or postponed it, under the Hoover Moratorium, which had come too late to be of any service.

In the first and second weeks of July a great panic commenced. Foreigners, anxious as to the effect on sterling of the Central European troubles, removed their funds to other centres. £50,000,000 in gold was lost by the Bank of England in three months, and it is estimated that £200,000,000 of foreign balances was transferred from London between July 1st and September 1st. In a vain attempt to stop the outflow of gold the Bank of England on August 1st obtained credits amounting to £50,000,000 in the United States and France. On the 28th of August the British Treasury raised further credits in those countries amounting to £80,000,000, again in vain. These credits were practically exhausted by September 20th, and on September 21st, 1931, the Bank of England was compelled to ask the Government to prohibit the export of gold in order to preserve sufficient in their vaults for the legal minimum required as a basis for the currency notes in circulation.

The Bank Rate, that normally powerful financial weapon, was raised on July 23rd from 2½ per cent. to 3½ per cent., on July 30th to 4½ per cent., and on September 21st to 6 per cent., in a futile attempt to keep the money in the country.

The greatest moment of the crisis was no doubt on the morning of September 21st, when the banks opened their doors to the public. There were, without shadow of doubt, the gravest fears in authoritative quarters of a run on the banks and a financial panic. This, the extra £15,000,000 in the fiduciary issue of Bank of England notes which had been authorised in August, would have done little to stop. Never, even on August 4th, 1914, has the British public shown such passive courage and immunity from hysteria, and never has the personnel of British banks tackled so cheerfully the duty of reassuring their more anxious customers. Here let me say that whilst the banks in Europe have gone down like ninepins and there seems likely to be some 2,000 bank failures in the United States this year, no British bank has failed its customers nor trembled under the strain. To those critics who complain that British banks do not lend sufficient aid to industry I would say, if a depositor wishes to lend his money in industrial long term capital let him go to a stockbroker and buy industrial debentures; if he wishes to be able to withdraw his money on demand, then let him not condemn his bankers' present style of business.

I do not propose to lay before you any opinion as to the way in which the state of the world should be righted. Many schemes, weird and wonderful, will be put forward for the rehabilitation of sterling. A silver basis, a bi-metallic basis, a basis on commodity bills, a basis on a managed exchange, and no basis at all, will be proposed. To those of you who agree with me that there is not sufficient gold in the world to carry such a credit superstructure as the commerce of the world needs I would recommend Professor Gustav Cassell's plan of reducing the various legal minimum ratios of currency to gold in accordance with the estimated annual shortage of gold supplies.

To quote again from an article by Sir Charles Addis printed in January this year: "The evils of instability are ever present. Disaster if we continue to drift is not far off. The problem presses for solution. It is imperative that it should be tackled, and tackled at once. We must be masters in our own house and not the slaves of money."

North-West Lancashire Incorporated Accountants.

New Students' Section.

The inaugural meeting of the Incorporated Accountants' Burnley and District Students' Section was held at Burnley on April 8th, the chair being occupied by Mr. W. Ashworth, A.S.A.A. (the Chairman of the Section). Mr. Thomas Keens, Past President of the Society of Incorporated Accountants and Auditors, addressed a good attendance of members and students on "Education and Training for the Accountancy Profession," and there were several other speakers, including Mr. Ernest E. Edwards, B.A., LL.B., Parliamentary Secretary to the Society of Incorporated Accountants, the Mayor of Burnley (Alderman R. Place), and the Bishop of Burnley (Rt. Rev. E. Priestley Swain). The Mayors of Accrington, Colne and Nelson, and Mr. N. Broadbent (the Secretary of the new Section) were also present.

The Chairman said that, though the Incorporated Society had been in existence since 1885, the Burnley district had unfortunately been neglected, but they were now greatly encouraged by the Parent Society, which had been particularly helpful in sending Mr. Keens to address them, as Mr. Keens, probably more than any other member of the Incorporated Society, had promoted the interests of the students.

The Mayor of Burnley (Alderman R. Place) said that though he knew very little about accountancy, he was glad if he could do anything to encourage any student to make progress in his profession. In any profession there was always more room at the top of the ladder than at the bottom, and he believed this was particularly true of the profession of accountancy.

The Bishop of Burnley (Rt. Rev. E. Priestley Swain) said we were living in an age of specialisation, and although we might lament it—and in some ways he did lament it—no amount of lamentation would alter the fact that it was vitally necessary to-day that all those taking up any particular branch of work should make themselves thoroughly qualified and become, if possible, specialists in it; otherwise they would be among those easy going people at the bottom, jogging along through life but never making anything really successful of it.

He had had a good deal of experience in a rather varied life, and he knew the despondency that would face a man of 35 to 40 years who might wish to better his position and found the door bolted and barred in his face, good man though he might be, because when he was young he was not urged by someone to qualify himself in his profession. "That is my word to you to-night," said the Bishop, "if you are going in for accountancy or anything else you have to make yourself qualified in this day of specialisation."

Mr. Thomas Keens, F.S.A.A., said: I am here to-night in a three-fold capacity. Firstly, as the immediate Past President of the Society of Incorporated Accountants; secondly, as the President of the London and District Society of Incorporated Accountants; and thirdly, as the Chairman of the District Societies Committee. When I succeeded to the Presidency of the Parent Society I found a Committee at work to bring about an improvement in District Society organisation. There had been District Societies for many years, that of Manchester being nearly as old as the Parent Society, but they varied enormously in numbers, in influence, in activity, and in resources. I made it my business to further by all means in my power the objects of the Committee, and I acknowledge with many thanks the splendid work of my friend, Mr. F. Woolley, F.S.A.A., of Southampton. After much negotiation and many conferences, we agreed upon a scheme which was adopted by the Council and is now in operation. Under this scheme every member of the Society is *ipso facto* a member of the appropriate District Society, and contributes to its funds by a part of his annual subscription, and every student becomes attached to the appropriate Students' Section. It is obvious that these regulations impose upon the various District Societies the obligation to provide for the members, and particularly for the students, facilities for lectures and discussions, and thus the desire for Students' Sections at places other than the centre of the local District Society has been quickened and intensified.

During the past year several new Students' Sections have been formed, and generally at the annual conferences of District Societies the reports from all quarters tell of increase of numbers, greater interest, and all-round progress.

I am delighted to be your guest to-night and to meet so many distinguished visitors, members and students. I cordially congratulate those members and candidates for the Society of Incorporated Accountants who have formed a Students' Section in Burnley and District—more particularly because the initiative was taken entirely by them without suggestion from the Council. I wish them every success in their future work.

Mr. Keens then addressed the meeting on the subject of

Education and Training for the Accountancy Profession,

and after dealing with Preparation for Examinations, he came to the subject of Practical Training. The training of an Incorporated Accountant, he said, has wider purposes than bare compliance with the requirements of the examination syllabus, necessary though that be. I will review some of them.

(1) The Technical Aspect. The student must learn his job. He will, of course, be guided during his training by his principal and the seniors in the office, but he must acquire the capacity to deal confidently with new problems as they arise. After the student has qualified and become a practitioner or managing clerk, he will have to deal with a variety of problems—of some he may have had previous experience, and in regard to others he must be guided by a combination of general principles, current law and practice, and common sense. The student must keep abreast of professional information by regularly reading the professional periodicals and cultivate the art of obtaining information from books of reference and professional colleagues. Legal subjects are included in the syllabus. It is not the business of accountants to offer legal advice, but a knowledge of law is required for their own guidance, and not least to appreciate the point at which a solicitor's or counsel's advice may be essential.

(2) The Broader Aspect. This involves an appreciation of business and financial affairs and reading in economics and financial subjects. The student must understand the direct effect upon the business of his clients of those world-wide movements which concern every one of us. I will refer later to this aspect of the work of the accountancy profession.

(3) Personal Discipline. I attach great importance to the professional atmosphere in which the student works, to his general attitude and to the development of constructive ideas. The highest technical capacity can only be used to the best advantage when conjoined with personal qualities of a high order. The attention of my generation was directed to these qualities by a study of Samuel Smiles—honesty of purpose, good time-keeping, reliability, and the strictest personal integrity. I am happy to think the ingredients of character remain unchanged. Much depends upon the manner in which we present ourselves and our work to our clients. Good writing, neatness, the cultivation of a clear and acceptable style in letters and reports, orderliness in work and an avoidance of fuss, are assets of inestimable value, and can be cultivated. An attitude of dignity without superciliousness, and of impartiality without vagueness, will command the respect of our clients, of their clerical staff, and of our own professional colleagues.

(4) Professional Discipline. It is an inherent characteristic of a profession that its members conform to a high standard of conduct both in their relations with the public and among themselves. It is necessary that the public shall appreciate increasingly the utility of our profession, but personal advertisement or solicitation are alien to a profession and must be shunned like the plague. The Society of Incorporated Accountants and Auditors has not at any time drawn up a set of written rules in regard to professional conduct, but the code to which members conform is well understood. Respect for it is an essential part of professional training and what should or should not be done in any circumstances is a matter of individual responsibility. A young practitioner should have a number of professional friends whom he can consult in cases of difficulty, or, if necessary, he should apply for guidance to the officers of the Society. An official opinion or assurance cannot be given, but I know that senior practitioners will be only too ready to guide by their counsel younger members of the Society.

PROFESSIONAL CONDUCT.

The attention of the Council of the Society of Incorporated Accountants and Auditors has been called to the fact that a junior member of the Society was offered an appointment by a firm of income tax experts. The member decided upon professional grounds that it was not proper that, as an Incorporated Accountant, he should accept the appointment. The Council are in accord with the attitude taken by the member, and have considered the general question which arises.

The Council are of opinion it is inappropriate that the services of Incorporated Accountants should be at

the disposal of unqualified persons who obtain business by means which are not open to members of the Society, and who might be unable to discharge adequately the duties they had undertaken to carry out without the aid of qualified assistants.

The Council desire it to be known that, in case any such openings should be offered to members of the Society they deprecate the acceptance of appointments of this character or the association of members of the Society with unqualified persons who are not subject to discipline.

PUBLIC AND FINANCIAL AFFAIRS.

I should like to consider some broad facts in regard to industry, commerce and finance. Their effect upon individual businesses is familiar to all of us who are in public practice. The almost disastrous features of the last two years may tend to obscure the more encouraging facts. Some of our difficulties have arisen from the impact of world events upon the national life; some from a lack of wisdom; some from inevitable technical and scientific changes. The events at home and abroad during the last ten years have left us with some salutary convictions and useful, though costly, experiences. For example, in regard to inflation, the limitations of the gold standard, and abuses in company flotation. For two years the country has suffered from a depression in trade, and possibly a depression in mind, unparalleled within living memory. Foreign opinion was critical and pessimistic to a degree which became dangerous. Monsieur André Siegfried, the eminent French economist, in his book on "England's Crisis," put up what seemed a convincing case that this was not a passing phase, but a symptom that the British centre of gravity had definitely moved: further, we had failed to realise it. The book had a remarkable circulation and was translated into several languages. I am convinced that these criticisms increased the lack of confidence in Great Britain, however much it may have been attributable to the Budgetary position and adverse trade balance. M. Siegfried drew attention with some reason to a lack of resiliency in our economic system, to our inability to reduce the level of costs of production, to the disharmony between the standard of living and the maintenance of the gold standard. But he had not taken account of those incalculable factors in the character of the British people, by which more than once in recent history they have confounded friendly critics and surprised themselves.

The extraordinary financial recovery of the last six months will become historical: it has restored a measure of financial confidence, though I regret that trade and industry are still at a low ebb. But no recovery in industry and commerce could have been contemplated if the unsound financial position of the country had continued for any length of time.

I cannot prophesy, but our policy should aim at establishing stable international rates of exchange combined with a stable internal price level. We have had the unsatisfactory experience of stable rates of exchange with a heavy fall in the price level; now we are experiencing great difficulty from fluctuating rates of exchange. The rise in sterling is a source of pride, but it may become a cause of embarrassment (*a*) in regard to trade, (*b*) if it leads to an accumulation of foreign balances in London subject to withdrawal at short notice. At present conditions are too uncertain to permit of stabilising sterling on a gold basis, but whether by gold or by some other method, exchange stability would be welcomed in industrial and commercial circles.

In regard to our own country, a most encouraging feature has been the rise of small capitalists. Small capitalists have furnished immense sums for building societies, life insurance, savings certificates, Government securities—mostly safety first investments. The small capitalist demands security for his savings rather than the chance of large profits. I hope that by carefully organised investment trusts it will be possible to attract the savings of small capitalists for industry and commerce.

Considerable scepticism has developed in regard to rationalisation, and in my view new industries should be developed and older ones revived by the moderate-sized undertaking, working in harmony with other similar undertakings in the same trade.

Mr. Ernest E. Edwards, Parliamentary Secretary to the Society of Incorporated Accountants, said: It is always a pleasure for a Lancashire man to revisit Lancashire and to address a Lancashire audience. Until the last two years I spent all my life in Liverpool. I can claim a fairly intimate acquaintance, therefore, with the difficulties which have beset Lancashire during the last ten years. When I think of the wonderful courage and tenacity with which Lancashire has faced adversity, long drawn out and acute, I feel proud to be associated with the County Palatine. This is anything but a propitious time for newly-qualified Incorporated Accountants to begin their professional careers. It is a time of industrial depression and of over-crowding in the profession. By the time those of you who are now students have qualified there may well be a complete reversal of the situation. You may find a time of expanding trade and general prosperity, and in the meantime you are equipping yourselves for the future with all its inscrutable vicissitudes. In his admirable address this evening Mr. Keens has offered you a counsel of perfection for the education, equipment and training of the Incorporated Accountant. I may add just a footnote: Primarily your education should be general and not specialised. This age of specialisation and mass production has inherent dangers. There is a tendency to overlook the fact that, though specialised knowledge is essential to earning one's living and to success in business, it is no guarantee of either, and rarely of itself brings true happiness. In any event, without a strong personality success in the profession is unlikely to be achieved. Incorporated Accountants have opportunities of engaging in public and social work. They should not neglect opportunities of practising and developing the art of public speaking, and I have no doubt that there are in Burnley debating societies where this may be cultivated.

A vote of thanks to the speakers was proposed by Rear-Admiral Gordon Campbell, Member of Parliament for the Borough, and seconded by Mr. J. Fearnhead, J.P., F.S.A.A., President of the District Society of North-West Lancashire. Mr. Thomas Keens replied on behalf of the speakers, and Mr. Ernest E. Edwards then moved a vote of thanks to the Chairman and to Mr. Broadbent, F.S.A.A., and paid a tribute to the large amount of work which Mr. Broadbent had done in order to secure the success of the meeting. He trusted that he would be strongly supported by all members of the section in securing its continued success.

Professional Appointment.

Mr. T. W. Abbey, F.S.A.A., the Borough Treasurer of Morley, near Leeds, has been selected out of 87 applicants for the post of Borough Treasurer of Buxton.

THE MONETARY SITUATION.

At a mid-day meeting of the Scottish Branch of the Society of Incorporated Accountants and Auditors, held on the 27th ult., in the Chamber of Commerce Rooms, Glasgow, an address was delivered by Mr. Alexander T. Hunter, C.A., Edinburgh, on "The Monetary Situation and British Empire Currency." There was a large attendance.

The Chairman of the Scottish Branch, Mr. J. Stewart Seggie, F.S.A.A., in introducing the speaker, said that he had known Mr. Hunter for over twenty years, and that most of them, perhaps, would be aware that Mr. Hunter celebrated his jubilee as an accountant on February 1st last. His whole life and activities had been in the public service. As a volunteer for 32 years, he was known all over Scotland as Colonel Hunter, and as far back as 1893 he was addressing audiences on the same question as they were on to-day. Mr. John Buchan, M.P., in writing Mr. Hunter recently, said: "You were extraordinarily prescient in 1893," and the Chairman said that after listening to Mr. Hunter's paper, he was perfectly convinced they would come to the same conclusion.

Mr. Hunter, in his address, attributed the present monetary crisis to bad thinking on the part of the business men of Britain in general, and the members of the British Parliament in particular, and suggested that the Lord Provosts of Edinburgh and Glasgow, and the Lord Mayor of London, all of the accounting profession, should make it their duty to rouse the people from their lethargy and make them think on the problems confronting us. He then referred to some pernicious parrot-cries of the party politicians, and showed how absurd it was to think only of one side of the problem. In illustrating his remarks he quoted from an article by Lord Macaulay in the *Edinburgh Review* of 1830: "Our rulers will best promote the improvement of the Nation by strictly confining themselves to their own legitimate duties, of leaving capital to find its most lucrative course, commodities their fair price, industry and intelligence their natural reward, idleness and folly their natural punishment, by maintaining peace, by defending property, by diminishing the price of law, and by observing strict economy in every Department of State. Let the Government do this, and the people will assuredly do the rest."

He referred to the opening of the French Mint in 1803, to the unrestricted coinage at the prices in British currency of 60¾d. per ounce for silver, £3 17s. 9d. per ounce for gold, and also to the Act passed by Great Britain in 1816 dethroning silver from its historic position as money to the base use of being mere petty cash.

Money is the only standard. "Silver is a commodity and gold is a commodity, but money is not a commodity," said Mr. Hunter. It is the standard of value. It is also a confusion of terms to speak of a silver standard or a gold standard—or worse still, a double standard. The universal and only standard is money—in some countries silver money, in some countries gold money. Under a bimetallic origin, money consisted of silver and gold used conjointly, but everywhere money. He illustrated the effect of the demand which Germany made on France in 1873 of the indemnity payable in gold of 200 millions, and reviewed the present day store of gold held by France and the United States. He then showed that if we all insisted on our legislators immediately restoring to silver its rightful function as money, the wheels of the world's trade and agriculture would be fully lubricated by an ample supply of money.

The fundamental mistake which most people make in thinking of the problem is the consideration of the expenditure side of the account, whereas the income side of the account is of infinitely greater importance. In the Lecturer's view it was preferable to have a greater circulation of money than we had at the present time, and this could be done by the adoption of not only gold, but silver as well as money.

In his concluding remarks, the Lecturer referred to a universal currency for the British Empire consisting of a decimalised pound, and leading, it is hoped, ere long to a universal currency for the world. In his view, this would get rid of the bugbear of exchange which makes trade between the various parts of the British Empire wellnigh impossible by turning it into gambling pure and simple. He illustrated his remarks by the effect of what he termed a foolish law put into operation in 1893 with regard to India, transforming the rupee from being real money into a mere token.

At the close of Mr. Hunter's address several questions were asked and answered. After remarks by Mr. Alexander Ledingham, manager, North of Scotland Bank, Limited, Glasgow, and others, a cordial vote of thanks was accorded to Mr. Hunter, on the motion of the Chairman, seconded by Mr. Robert T. Dunlop, and a similar vote was given to Mr. Seggie for presiding, on the motion of Mr. James Paterson, Secretary of the Scottish Branch.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Scottish University Honours.

Three Scottish Universities last month honoured the accountancy profession by conferring the degree of LL.D. on three leading accountants. Edinburgh gave the honour to Sir Josiah Stamp, a member of the Society; Glasgow to Mr. D. Johnston Smith, C.A., who founded the Chair of Accountancy in that University, and Aberdeen to Mr. Walter A. Reid, C.A., one of the leading practitioners in the North-East of Scotland, and for many years Secretary of the Aberdeen Society.

A Company Case.

The Second Division of the Court of Session recently advised a petition for the compulsory winding up of a private company operating mines in the highest parts of Scotland. The petitioner held 2,500 shares, and was formerly a director and chairman of the company. The company for many years was successful, but lately had to close down temporarily. It was at present solvent, and if wound up everybody, creditors and shareholders, would be paid in full. A majority of the shareholders were against winding up, and the Division unanimously refused the petition.

Incorporated Accountants' Golf Club.

A meeting of this Golf Club was held in Glasgow on 13th ult. Mr. Robert T. Dunlop, F.S.A.A., was appointed President, Mr. J. C. McMurray, F.S.A.A., Vice-President, and Mr. C. M. Vance, A.S.A.A., Hon. Secretary and Treasurer, with a Committee consisting of Mr. Robert Fraser, F.S.A.A., Mr. Mungo B. Campbell, A.S.A.A., and Mr. A. G. M. Phillips, A.S.A.A. Arrangements were made for a monthly meeting and knock-out competition. The first meeting was fixed for April 30th, at Troon, Loch Green Course.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, *e.g.* (1925) 2 K.B. :—

T.L.R., *Times Law Reports*; *The Times*, *The Times* Newspaper; L.J., *Law Journal*; L.J.N., *Law Journal* Newspaper; L.T., *Law Times*; L.T.N., *Law Times* Newspaper; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Session Cases* (*Scotland*); S.L.T., *Scots Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace* (*England*); L.G.R., *Knight's Local Government Reports*; B.& C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; N.I., Northern Ireland; P., President of Probate, Divorce and Admiralty.]

COMPANY LAW.

In re John Dry Steam Tugs.

Right of Preference Shares to Participate in Surplus.

Eve (J.) held that unless the Articles of Association otherwise provide, preference shareholders are entitled to share with ordinary shareholders *pari passu* in the distribution of the surplus assets.

(Ch.; (1932) L.J.N., 205.)

In re Lee, Behrens & Co.

Pension to Widow of Director.

Eve (J.) held that the payment to the widow of a director is not incidental to the business of a company, and is *ultra vires* unless approved by Articles or a resolution of the shareholders.

(Ch.; (1932) L.J.N., 220.)

In re Graham's Morocco Company.

Declaration of Chairman at Meeting.

A special resolution was carried at a general meeting of a company by nine votes to two. No poll was demanded and the chairman declared the resolution carried by the requisite majority. These facts were duly minuted. Afterwards it was discovered that two of those who voted in favour of the resolution had not the necessary qualification.

The Court of Session held that on being satisfied that the conduct of the meeting was regular and proper, and there being no suggestion that the proceedings were in any way fraudulent, the Court was bound to accept the chairman's declaration that the resolution had been carried by the requisite majority as final and conclusive, without any further inquiry.

(C.S.; (1932) S.L.T., 210.)

INSOLVENCY.

Attorney-General v. Jackson.

Executor's Right of Retainer.

A testator who died intestate left all his property to his executor. The estate was insolvent and the executor was one of the creditors of the testator as well as the Commissioners of Inland Revenue, who claimed as preferential creditors for arrears of income tax.

It was held by the House of Lords, reversing the decision of the Court of Appeal (see *Incorporated Accountants' Journal*, February, 1931, p. 204) that to the extent of the priority conferred by the Bankruptcy Act, 1914, upon Crown debts, the retainer could not be exercised, but that the balance of any Crown debt in excess of that portion which was given priority was now of the same degree as the debt of the executor, and that he could retain such balance.

(H.L.; (1932) W.N., 61.)

REVENUE.

Inland Revenue v. Scottish Automobile Company.

Profit on Realisation of Assets.

An insurance company was empowered in terms of its Articles of Association to sell, deal with, and turn to account any of the assets of the company. The company invested its reserve funds in British Government securities. From the date of the company's incorporation in 1919 until 1928 it occasionally changed its investments in those securities. In several years there were no sales of investments. In 1928 the company made a profit of £4,800 on the realisation of certain investments. The General Commissioners found that this profit was not made by trading, and accordingly it was not assessable.

The Court of Session held that the question whether a profit was made by trading was one of fact, and that there was evidence justifying the finding of the Commissioners.

(C.S.; (1932) S.C., 87.)

Mann v. Nash.

Assessability of Profits of an Unlawful Trade.

Rowlatt (J.) said that as the appellant had been party to illegal gaming by means of automatic machines, the question arose whether the profits of those machines could be charged to income tax as income in his hands. He could not see why this letting out of machines in a commercial way with a view to the receipt of profits in a commercial way was not a trade the profits of which were chargeable to tax. He thought they were, and the appeal was dismissed.

(K.B.; (1932) W.N., 71.)

Stedeford v. Beloe.

Voluntary Payment to Schoolmaster on Retirement.

The House of Lords affirmed the decision of the Court of Appeal (see *Incorporated Accountants' Journal*, June, 1931, p. 364) and held that an annual payment to a schoolmaster on his retirement, which was dependent on goodwill and not made in pursuance of a pension scheme, is not liable to income tax.

(H.L.; (1932) W.N., 67.)

Municipal Mutual Insurance, Limited, v. Hills.

Municipal Insurance and Taxable Profit.

Where a company carries on several branches of insurance business, part of which is conducted on a mutual basis, the liability to tax depends upon the destination of the profits. Surpluses arising from mutual insurance business are not taxable, but surpluses which do not go to contributors are taxable profits.

(H.L.; (1932) L.J.N., 255.)